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## **2013 Report - Volume 2**

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November 21, 2013

The Honourable Dan D'Autremont  
Speaker of the Legislative Assembly  
Room 129, Legislative Building  
REGINA, Saskatchewan  
S4S 0B3

Dear Sir:

I have the honour of submitting my *2013 Report – Volume 2*, to be laid before the Legislative Assembly in accordance with the provisions of Section 14.1 of *The Provincial Auditor Act*.

Respectfully yours,

A handwritten signature in black ink that reads "Judy Ferguson".

Judy Ferguson, FCA  
Acting Provincial Auditor

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## Overview by the Acting Provincial Auditor

### 1.0 REPORT OVERVIEW

Through *The Provincial Auditor Act* (Act), the Legislative Assembly has made the Provincial Auditor its auditor. It has given the Provincial Auditor responsibility for auditing the Government of Saskatchewan, including all of its agencies. These agencies include ministries, Crown corporations, boards, commissions, and funds. Under the Act, the Provincial Auditor is required to report to the Legislative Assembly on the results of all examinations, and highlight matters that require the attention of legislators.

Our Office typically reports the results of its examinations in two volumes. We aim to release Volume 1 in June, and Volume 2 in December each year.

This Report (Volume 2) includes the results of our examinations completed by October 31, 2013. We have organized the results of our examinations into six sections.

The following provides an overview of each section of the Report other than the section on the Standing Committee on Public Accounts (Committee).

The Committee has asked our Office to assess and report on the status of its recommendations. In this Report, we note that by October 31, 2013, the Government has fully implemented 78% of the Committee's recommendations and partially implemented 81% of the Committee's remaining recommendations. The high acceptance rate of the Committee's recommendations indicates that it provides an important role in improving management practices in government.

#### Public Accounts—Volume 1—Overview

*2012-13 Public Accounts – Volume 1* is a key accountability document in that it contains the Government's audited 2012-13 financial statements called the Summary Financial Statements. These are truly the Government's main financial statements. Only these statements provide an accounting of the full nature and extent of the financial affairs and resources controlled by the Government. We are pleased to report that we have issued an "unqualified" audit report on these financial statements—this means that they are prepared in accordance with Canadian generally accepted accounting principles for the public sector (Canadian GAAP), and are reliable.

*2012-13 Public Accounts – Volume 1* also contain a second set of audited financial statements—the 2012-13 financial statements of the General Revenue Fund (GRF). The GRF is a special purpose fund that includes the spending of government ministries and revenues not directed by legislation to go elsewhere. We are disappointed to report that we have issued, for the first time, an "adverse" opinion on these financial statements—this means that they are **not** prepared in accordance with Canadian GAAP and are **not** reliable. The GRF reported a 2012-13 annual surplus of \$58.0 million. In our opinion, this is overstated by \$648 million—it should be an annual deficit of \$590 million. We are also disappointed that the Government continues to regard the GRF financial statements as one of its main financial statements.



## Annual Integrated Audits—Overview

We use the term “**integrated audits**” to describe our annual audits of agencies that examine:

- › The effectiveness of their financial-related rules and procedures to safeguard public resources with which they are entrusted
- › Their compliance with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing
- › For those agencies that prepare financial statements, the reliability of those statements

In this Report, we report the results of annual integrated audits for agencies with July 2013 or earlier fiscal years. For the most part, those agencies had effective financial-related processes, complied with related authorities, and prepared reliable financial statements (see **Appendix 1**). The 25 annual integrated audit chapters contain 26 new recommendations and report reasonable progress of various agencies on addressing most of our prior recommendations.

About one-half of the new recommendations reflect our concern that ministries did not follow Canadian GAAP when accounting for certain activities (e.g., shared ownership agreements at the Ministries of Education and Health), or that

processes they used to account for certain activities need improvement (e.g., estimates for the provincial disaster assistance program at the Ministry of Government Relations). About one-third of the new recommendations relate to concerns about the controls agencies used to administer certain programs (e.g., controlling overtime costs at Mamawetan Churchill River Regional Health Authority, board remuneration at 3sHealth).

## Performance Audits—Overview

We use the term “**performance audits**” to describe audits that take a more in-depth look at management issues related to management of public resources or compliance with legislative authorities.

In this Report, we report the results of six performance audits in five chapters.

In two audits, we assessed the effectiveness of key regulatory processes that are essential to monitoring and protecting groundwater. Clean groundwater is essential for both human and

environmental health. We found that:

- › The Ministry of Agriculture had effective processes to regulate waste generated from intensive livestock operations (ILOs) with the following key exceptions. Agriculture needs to confirm that sufficient controls to keep water safe are in place for ILOs it approved prior to 1996, determine the frequency of its ILO inspections based on risk, and conduct inspections in accordance with its policy. We made three recommendations for improvement.
- › The Ministry of Environment did not have effective processes to regulate landfills. Environment needs to strengthen its requirements for landfill construction, better monitor operating landfills and oversee landfill closures, and ensure non-compliance issues are addressed consistently. Improved landfill regulation will help prevent

groundwater contamination from occurring. We made nine recommendations for improvement.

In two other audits, we assessed the effectiveness of processes used to provide certain healthcare services—triaging emergency department patients and managing medications within hospitals. Effective triaging means patients are appropriately and quickly prioritized so that they receive timely medical attention and care. Effective management of medication means patients receive, as prescribed, the proper amounts of the right medication at the correct times. If processes for either of these areas are not effective, the health of patients can be adversely affected with potentially fatal consequences. We found that:

- ▶ Saskatoon Regional Health Authority did not have effective processes to triage patients in its three city hospital emergency departments. It needs to give better directions to emergency patients, follow established standards and processes when triaging emergency patients, and periodically review the triage process for emergency patients. We made eight recommendations for improvement.
- ▶ Sun Country Regional Health Authority had effective processes to manage and administer medications in its district hospitals with the following exceptions. It needs to follow its established policies to gain access to the pharmacy after hours and to properly dispose of medications, use its approved form to document patient medication history and weight, analyze medication errors and contributing factors, and use that analysis to develop actions plans to address any identified issues. We made five recommendations for improvement.

At the University of Regina, we assessed its processes for the procurement of goods and services, and for the disposal of surplus assets (e.g., computers, equipment). We found that the University had effective processes for the procurement of goods and services and for the disposal of surplus assets except as follows:

- ▶ For its procurement and disposal processes, the University needs to regularly review, update, approve, and enforce its related policies; improve its contract requirements; and require sufficient reporting to senior management and the Board of Governors about related activities.
- ▶ With respect to its procurement processes, the University needs to require, in policy, adequate approval and justification for single- and sole-source procurement decisions including the mitigation of conflicts of interest and commitment, consistently retain documentation of its analysis and decisions for awarding tenders, and coordinate its departments responsible for procurement to efficiently manage procurement in accordance with its policies.
- ▶ With respect to its disposal processes, the University needs to ensure computer assets are properly decommissioned prior to their disposal.

We made 18 recommendations for improvement. We expect that the results of these audits will assist the University with its ongoing review of its administrative policies and procedures.





## Audit Follow Ups—Overview

We use the term “**audit follow-ups**” to describe our assessments of whether government agencies have taken actions to address recommendations that we made in our past performance audits. We carry out an initial follow-up either two or three years after our original audit, and subsequent follow-ups every two or three years thereafter until the recommendations are implemented.

As shown in **3.0 Exhibit**, for this Report, we followed up 48 recommendations made in 17 previous audits.

Those agencies implemented 60% of the 48 recommendations; they implemented over half of them within either two or three years (i.e., 21 of the 36 recommendations in our initial follow ups). We are pleased with the progress of those agencies in implementing our recommendations.

## Studies—Overview

From time-to-time, we carry out studies to look at matters in more depth to enable us to provide the Assembly with our views and advice on these matters. This Report includes two studies.

First, effective board governance helps boards operate efficiently and effectively. In our *2013 Report – Volume 1*, we reported the results of our survey of board governance of regional health authorities. In this Report, we report the results of our survey of board governance of school divisions. We found that board members and executives agree, to a significant extent, on many of the issues raised in the survey. However, divergent views and uncertainty exist regarding the roles and responsibilities of board members, executives, and the Ministry of Education (Ministry). The results point to a desire for improved communication between school boards and the Ministry. Boards have also indicated that they do not think the public understands their role and the issues they face. The full results of this survey are available on our website at [www.auditor.sk.ca](http://www.auditor.sk.ca). We encourage the use of those results as a resource for constructive dialogue.

Second, understanding the Government’s Summary Financial Statements is important to evaluate the Government’s financial affairs. To provide legislators and the public with insight into how Saskatchewan is positioned relative to other provinces, our study compared Saskatchewan against other provinces. We found that, considering five key financial indicators, Saskatchewan’s financial condition was favorable as compared to other provinces. We also found that Saskatchewan’s financial statement discussion and analysis that accompanies its Summary Financial Statements is average as compared to other provinces. We note that the current content of the Government’s Summary Budget limits its ability to provide meaningful comparisons of planned versus actual results.

## 2.0 ACKNOWLEDGMENTS

We appreciate and thank the staff and management of all government agencies along with their appointed auditors (if any) for the cooperation we received in the completion of the work included in this Report.

The content of this Report was largely completed under the leadership of Bonnie Lysyk. During her tenure, Bonnie provided our Office with strong leadership and was a strong advocate for using only the Summary Financial Statements to report on the Government's finances. At the end of August, Bonnie Lysyk left our Office to become the Auditor General of Ontario. We wish her well in her new position.

As Acting Provincial Auditor, I thank the dedicated professionals in the Office for their diligence and commitment (see below). Only through their hard work can we fulfill our mission—to *serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources.*

Provincial Auditor Team		
Ahmad, Mobashar	Anderson, Mark	Bachelu, Gaylene
Borys, Angèle	Clemett, Tara	Deis, Kelly
Dickin, Deann	Dressler, Nicole	Drotar, Charlene
Duran, Jason	Fink, Diana	Galecki, Stephanie
Halladeen, Aaron	Harasymchuk, Bill	Heebner, Melanie
Iles, Amanda	King, Mark	Klassen, Linda
Kress, Jeff	Lefebvre, Jennifer	Lindenbach, Michelle
Lowe, Kim	McIntyre, Mitchell	McKillop, Steven
Montgomery, Ed	Neher, Kendra	Novakovski, Jade
Nyhus, Glen	Ochieng, Jennifer	O'Quinn, Carolyn
Ortman, Matt	Pattullo, Candice	Pituley, Jonathan
Rau, Brent	Robertson, Jennifer	Rowe, Marisa
Russell, Stephanie	Rybchuk, Corrine	Schwab, Victor
Scott, Doug	Shaw, Jason	Shorten, Karen
Sommerfeld, Regan	St. John, Trevor	Stroh, Evan
Sych, Larissa	Taylor, Linda	Tomlin, Heather
Trivedi, Devanshi	Volk, Rosemarie	Wandy, Jason
Watkins, Dawn	Wolfond, Josh	Yanyu, Melissa
Yee, Ken	Zerr, Jennifer	



## 3.0 EXHIBIT—SUMMARY OF RESULTS OF AUDIT FOLLOW UP

Chapter Name	Related Initial Report *	Number of Recommendations	Status of Recommendations		
			Implemented	Partially Implemented	Not Implemented
<b>Initial Follow ups</b>					
Advanced Education—Risk Management Processes	2011 Report – V1	3	3	-	-
Crown Investments Corporation of Saskatchewan—Reliable Performance Information	2010 Report – V2	2	2	-	-
Economy—Project Management Processes	2011 Report – V2	3	2	1	-
Financial and Consumer Affairs Authority of Saskatchewan—Regulating Saskatchewan Credit Unions	2011 Report – V1	1	1	-	-
Justice—Monitoring Municipal Policing	2011 Report – V2	6	2	4	-
Justice and Information Technology Office—Protecting Saskatchewan Data	2011 Report – V2	2	1	-	1
Prairie North Regional Health Authority—Hospital-Acquired Infections	2011 Report – V2	6	4	2	-
Saskatchewan Liquor and Gaming Authority—Liquor Procurement Process	2012 Report – V1	7	2	-	5
Water Security Agency—Identifying Risks to the Water Supply	2010 Report – V2	6	4	2	-
<b>Initial Follow ups Subtotal</b>		<b>36</b>	<b>21</b>	<b>9</b>	<b>6</b>
<b>Subsequent Follow ups</b>		<b>**</b>			
Central Services—Fleet Maintenance	2008 Report – V1	3	-	2	1
Education—Child Care Facilities	2010 Report – V1	1	1	-	-
Information Technology Office—Measuring Benefits of IT Consolidation	2009 Report – V1	2	2	-	-
Saskatchewan Institute of Applied Science and Technology—Human Resources Capacity	2006 Report – V1	1	1	-	-
Saskatchewan Institute of Applied Science and Technology—Risk Management	2008 Report – V3	2	2	-	-
Saskatchewan Liquor and Gaming Authority—Encouraging Responsible Use of Beverage Alcohol	2006 Report – V1	1	-	1	-
Saskatchewan Telecommunications Holding Corporation—Wireless Network Security Controls	2009 Report – V1	1	1	-	-
Saskatoon Regional Health Authority—Maintaining Medical Equipment	2011 Report – V1	1	1	-	-
<b>Subsequent Follow ups Subtotal</b>		<b>12</b>	<b>8</b>	<b>3</b>	<b>1</b>
<b>Overall Total</b>		<b>48</b>	<b>29</b>	<b>12</b>	<b>7</b>

\* V – means Volume

\*\* For Subsequent Follow ups, the “number of recommendations” is the number of recommendations that remained not implemented after the previous follow up.



# **Public Accounts General Revenue Fund**

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# Chapter 1

## Public Accounts—General Revenue Fund

### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the financial statements of the Government of Saskatchewan, the Summary Financial Statements, and our annual audit of the General Revenue Fund (GRF).

The 2013 Summary Financial Statements are reliable. The 2013 financial statements of the GRF are not reliable as they contain significant, material errors. When calculated in accordance with Canadian generally accepted accounting principles (Canadian GAAP), the GRF incurred an annual deficit of \$590 million instead of the reported annual surplus of \$58.0 million.

Saskatchewan continues to use both the Summary Financial Statements and the GRF for communicating to the public about “balanced budgets” and for reporting on the financial results of the Government. As previously outlined in both our *2012 Report – Volume 2* and our *2013 Special Report: The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*, we maintain that the use of two sets of financial statements to discuss the finances of the Government causes confusion and is inappropriate.

### 2.0 INTRODUCTION

The Public Accounts of Saskatchewan are key accountability reports required by law (i.e., *The Financial Administration Act, 1993*). The Public Accounts provide an important link in an essential chain of public accountability. They are the principal means by which the Government reports on its stewardship of public money to the Legislative Assembly and to the people of Saskatchewan.

*Public Accounts – Volume 1* (Main Financial Statements) include the Government of the Province of Saskatchewan Summary Financial Statements, the General Revenue Fund Financial Statements, and other information as required by a subcommittee of Cabinet (i.e., Treasury Board).

The **Summary Financial Statements** provide audited information on the overall financial affairs and resources for which the Government is responsible (about 270 agencies including the General Revenue Fund, Crown corporations, and other Crown agencies – see **Exhibit 1**). These statements are the only appropriate statements to use when trying to understand the financial results of the Government of Saskatchewan, and when comparing the operating results and the financial position of Saskatchewan to other provincial governments and the federal government.

The **General Revenue Fund Financial Statements** compare actual spending against budgeted spending authorized by Appropriation Acts and other statutory spending authorities (Estimates). They also provide information on revenues primarily from taxes, non-renewable resources, and transfers from the federal government. As explained later



in this chapter, these statements are not reliable in that they contain significant material errors.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › **The Government's Summary Financial Statements included in the 2012-13 Public Accounts – Volume 1 are reliable. See Exhibit 2.**
- › **The General Revenue Fund financial statements included in the 2012-13 Public Accounts – Volume 1 are not reliable. See Exhibit 3.**

## 4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we outline key observations from our audits and the resulting recommendation.

### 4.1 GRF Financial Statements Not Reliable

Use of Canadian public sector generally accepted accounting principles (Canadian GAAP) is necessary so that governments account for the cost of their programs and decisions accurately, and so that the citizens of a province receive correct financial information.

As set out in **Exhibit 3**, for the first time, the Provincial Auditor's audit opinion on the 2013 GRF financial statements is an "Adverse Opinion." The Provincial Auditor has issued this adverse opinion because of the following. The GRF financial statements are materially misstated due to departures from Canadian GAAP. Those material misstatements (errors) are pervasive to the financial statements in that a reader cannot easily adjust for them. The financial statements do not present an accurate financial position and performance of the GRF.

"Adverse" audit opinions are rare and should cause concern for legislators and the public. The audit opinion advises readers of the significant errors in the GRF financial statements. Also, the audit opinion cautions users not to use the GRF financial statements to understand the financial results of the Government.

For the year ended March 31, 2013, the GRF reported an annual surplus of \$58.0 million and an accumulated deficit of \$102 million. If the GRF financial statements had been prepared correctly in accordance with Canadian GAAP, they would have reported an annual deficit of \$590 million and an accumulated deficit of \$6.34 billion.

The errors identified in the audit report and **Figure 1** mean some information presented in the various statements, notes, and schedules in the GRF financial statements are incorrect. **Figure 1** compares, by line item, the amount reported in the GRF statements of financial position and operations against the amount that should have been reported. It notes the difference and reason for the difference.

**Figure 1—Impact of Errors on the GRF Financial Statements for the Year Ended March 31, 2013**

Line Item on Financial Statements	Amount Reported in the Statements	Amount that Should be Reported in the Statements	Difference Amount Reported is: Overstated (too high) Understated (too low)	Reason for Difference
Statement of Financial Position				
Total Financial Assets	\$3.28 billion	\$3.95 billion	\$666 million (understated)	Unrecorded "Due from Growth and Financial Security Fund"
Total Liabilities	\$7.11 billion	\$13.94 billion	\$6.83 billion (understated)	Unrecorded pension and a disability plan debt, and unrecorded funding of certain school division, RHA, university debt
Net Debt	\$3.83 billion	\$9.99 billion	\$6.164 billion (understated)	Net impact of not recording the above amounts
Total Non-Financial Assets	\$3.72 billion	\$3.65 billion	\$69.0 million (overstated)	Impact of use of shared ownership model
Accumulated Deficit	\$102 million	\$6.34 billion	\$6.23 billion (understated)	Net impact of not recording the above amounts
Statement of Operations				
Total Expense	\$11.41 billion	\$12.02 billion	\$606 million (understated)	Unrecorded pension and a disability plan costs, unrecorded funding of certain debt, and use of shared ownership model for current year
Transfer to the Growth and Financial Security Fund	\$8.0 million	\$ -	\$8.0 million (overstated)	Inappropriately including transfer as an expense
Transfer from the Growth and Financial Security Fund	\$50.0 million	\$ -	\$50.0 million (overstated)	Inappropriately including transfer as a revenue
Annual Surplus (Deficit)	\$58.0 million – surplus	\$590 million – deficit	\$648 million (overstated)	Net impact of above errors on current year

The GRF statements are materially incorrect in the following four areas:

### **1. Continued use of inappropriate accounting policies to account for pension costs**

The GRF inappropriately accounts for pension costs on a cash basis (i.e., recognizes expense only when payment is made). It therefore does not publicly discuss that there is a \$6.56 billion pension and disability benefit liability (2012-\$6.124 billion) in Saskatchewan. Significant cash will be required in the future to cover annual payments to pensioners and individuals on long-term disability (primarily teachers' pensions). The Government acknowledges in the notes to the GRF financial statements that its accounting for pension costs does not comply with the requirements of Canadian GAAP.



## **2. Continued use of inappropriate accounting policies to account for transfers between the GRF and the Growth and Financial Security Fund (GFSF)<sup>1</sup>**

The GRF treated net transfers of \$42 million between the GRF and the GFSF as revenue of the GRF. These transfers inappropriately increased the 2012-13 bottom line of the GRF by \$42 million. It also results in the Government not recording investments of \$666 million held by the GFSF on behalf of the GRF in the GRF statements.

The substance of these transactions between the GFSF and the GRF is that the amounts held by the GFSF must be repaid by the GFSF to the GRF. The Government acknowledges in the notes to the GRF financial statements that its accounting for transfers between the GRF and GFSF does not comply with the requirements of Canadian GAAP.

## **3. Obligations to fund certain long-term debt not yet recorded**

During our audit, we identified four ministries (Advanced Education, Health, Education, and Environment) that have established practices of providing certain agencies (i.e., post-secondary educational institutions, regional health authorities, school divisions, Water Security Agency) with funding (money) to enable these agencies to repay the principal and interest due on some of their loans. Instead of providing money to these agencies during the development of certain capital projects, the Government decided to let the agency borrow money from a financial institution and then provide the agency with money to pay the principal and interest on these loans as they come due. These agencies rely on this money to repay their loans, and the Government has created an expectation or guarantee that it will provide these agencies with sufficient money to repay the principal and interest on these loans.

Canadian GAAP requires transactions to be accounted for based on their substance. As such, loans expected to be repaid through future government funding should be accounted for as a liability and expense in the year that the expectation or promise is made.

The GRF inappropriately accounts for these funding arrangements on a “pay-as-you-go” basis instead of on an accrual basis. The Government did not record liabilities and the related 2012-13 capital transfers of \$270.1 million and \$100.9 million, respectively, in the GRF financial statements. Not recording these transfers increased the reported 2012-13 annual surplus of the GRF by \$100.9 million.

## **4. Assets constructed under Shared Ownership Agreements incorrectly recorded**

During 2012-13, the ministries of Health and Education each entered into contractual agreements for certain capital projects<sup>2</sup> with seven regional health authorities and seven school divisions. It calls these arrangements shared ownership agreements. The Government argues that under these agreements, ministries own the majority of the facility being built. It based its share of ownership on the proportion of funding it provided as compared to the expected overall cost of the project. Instead of recording its funding for these capital projects as capital transfers (expenses) as done prior to

<sup>1</sup> The Growth and Financial Security Fund was established on May 14, 2008 under *The Growth and Financial Security Act*. This Fund replaced previous “rainy day” funds. For further information on the Government’s use of rainy day funds, refer to our *April 2013 Report of the Provincial Auditor – The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*.

<sup>2</sup> Projects that buy or construct capital assets such as land, buildings, and equipment.



entering into the agreements and for other approved capital projects, the Government recorded its funding of \$69.5 million as tangible capital assets of the GRF.<sup>3</sup> Our Office disagrees with the accounting for these projects based on the following rationale.

Under Canadian GAAP, to capitalize a tangible capital asset, one must control the risks and benefits of the asset.<sup>4</sup> The risks and benefits of the ongoing use of the facility being constructed that each Ministry obtains from these arrangements remain substantially unchanged from facilities solely owned by health authorities/school divisions. Health authorities and school divisions continue to substantially bear the risks and benefits of ownership. These facilities are specifically designed to deliver healthcare or educational services and their intended use is not easily changed. Health authorities and school divisions will use these facilities in the delivery of their services. The related ministry remains a major source of capital for such facilities and a major source of maintenance funding for them. Further, as noted above, the related ministry remains a source of funding to assist in the repayment of health authorities' or school divisions' borrowings related to capital projects.

The Government uses its ministries as its vehicle to exercise control over the agencies involved in the shared ownership agreements. Given the relationship between its ministries and these agencies, we do not think it is feasible to partition the risks and benefits associated with the ownership of facilities between the applicable Ministry and the health authority/school division. Furthermore, directly equating the amount of funding provided by each party to the risks and rewards of ownership cannot be substantiated.

At the direction of the Government, the seven regional health authorities involved in shared ownership agreements incorrectly recorded funding received from the Ministry of Health in their 2012-13 financial statements, resulting in them understating capital assets and capital grant revenue in their financial statements. The appointed auditors of the regional health authorities also disagree with the accounting for these projects for the same reasons as our Office. For six of these authorities, their appointed auditor issued a qualified audit report on the authority's 2012-13 financial statements that highlights the impact of this error on the statements. For one authority, the impact of error on the authority's 2012-13 financial statements was determined to be insignificant. At October 31, 2013, the audits of the 2012-13 financial statements of the seven school divisions involved with shared ownership agreements were not complete.

The GRF incorrectly recorded \$69.5 million as tangible capital assets and did not record this amount as capital transfers expense. Not recording these transfers increased the reported GRF 2012-13 surplus by \$69.5 million.

Use of Canadian GAAP is necessary so that the GRF financial statements accurately reflect the costs of GRF programs and decisions.

<sup>3</sup> \$69.5 million is comprised of \$42.3 million related to regional health authorities and \$27.2 million related to school divisions.

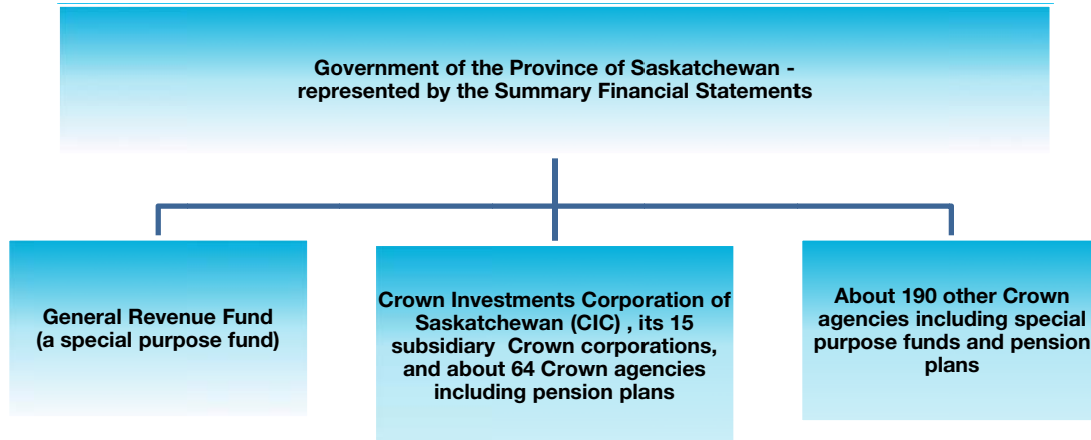
<sup>4</sup> Risks of owning an asset would include being responsible for the costs of ownership (e.g., insurance coverage, maintenance, and the impact of asset not being able to provide services). Benefits of owning an asset include use of assets to provide services directly (e.g., using it to provide health services) or to generate revenue (e.g., rental income).



1. We recommend that the Government use Canadian generally accepted accounting principles for the public sector to prepare the General Revenue Fund's financial statements.

## 5.0 EXHIBITS

### Exhibit 1 – The Composition of the Government of Saskatchewan at March 31, 2013



### Exhibit 2 – Auditor's Report on 2012-13 Summary Financial Statements

#### Independent Auditor's Report

#### To the Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Government of Saskatchewan, which comprise the summary statement of financial position as at March 31, 2013, and the summary statements of operations, accumulated surplus, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Government of Saskatchewan as at March 31, 2013, and the results of its operations, changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

**BONNIE LYSYK, MBA, CA**

Provincial Auditor  
Regina, Saskatchewan  
June 13, 2013

**Exhibit 3—Auditor's Report on 2012-13 General Revenue Fund Financial Statements****Independent Auditor's Report****To the Members of the Legislative Assembly of Saskatchewan**

I have audited the accompanying financial statements of the General Revenue Fund, which comprise the statement of financial position as at March 31, 2013, and the statements of operations, accumulated deficit, change in net debt, and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information. These financial statements are prepared to assist Treasury Board in meeting its reporting requirements included in Section 15 of *The Financial Administration Act, 1993*.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse audit opinion.

**Basis for Adverse Opinion**

1. The Government through the General Revenue Fund is responsible for the liabilities of several pension plans and a disability benefit plan. Notes 1 and 5 state that the pension liabilities and a disability benefit liability are not recorded in these financial statements. Canadian public sector accounting principles require that the pension and disability benefit liabilities be recorded in the financial statements. Had the pension and disability benefit liabilities been recorded, liabilities and accumulated deficit would increase by \$6,560 million (2012 - \$6,124 million) as at March 31, 2013 and, for the year, expenses would increase by \$436 million (2012 - \$100 million), and the surplus would decrease by the same amount.
2. The Government records transactions between the General Revenue Fund and the Growth and Financial Security Fund (GFSF) as revenue or expense of the General Revenue Fund. The substance of the transactions between the General Revenue Fund and the GFSF is that the amounts held by the GFSF must be repaid by the GFSF to the General Revenue Fund. Canadian public sector accounting principles do not allow the General Revenue Fund to record changes in the amount due to the GFSF as revenue or expense of the General Revenue Fund.

The financial statements show an expense (as a Transfer to the GFSF) of \$8 million (2012 - \$27 million) and a revenue (as a Transfer from the GFSF) of \$50 million (2012 - \$325 million). It is not appropriate to record an expense because the GFSF must return all amounts due to the General Revenue Fund. Likewise, it is not appropriate to record revenue for the amount the GFSF has returned to the General Revenue Fund in the year.



Instead of recording an expense or revenue, the financial statements should record an asset equal to the net amount paid to the GFSF. Had the Government properly recorded the transactions, total financial assets would increase by \$666 million (2012 - \$708 million) and accumulated deficit would decrease by the same amount as at March 31, 2013, and surplus for the year would decrease by \$42 million (2012 - decrease by \$298 million).

3. The Government, through the General Revenue Fund, has established a practice of providing funding primarily to school divisions, regional health authorities, and universities, to enable them to repay certain of their loans with financial institutions. In substance, the General Revenue Fund has assumed the obligation to fund the principal and interest payments related to this debt. Canadian public sector accounting principles require transactions to be accounted for based on their substance and that loans expected to be repaid through future government funding to be accounted for as a liability and expense in the year that the expectation or promise is made.

Had these obligations been recorded properly, accumulated deficit as at April 1, 2012 would increase by \$169 million, liabilities and accumulated deficit as at March 31, 2013 would increase by \$270 million, current year expenses would increase by \$101 million, and the current year surplus would decrease by the same amount.

4. During 2012-13, the Government recorded the General Revenue Fund's financial contribution of \$69 million to the construction of schools and long-term care facilities as tangible capital assets of the General Revenue Fund. These schools and long-term care facilities are being constructed under agreements between the Government and certain school divisions and regional health authorities. These agreements have not changed the substance of how the Government funds these types of capital assets. These assets continue to be held by the related school division and regional health authority. Canadian public sector accounting principles require transactions to be accounted for based on their substance.

Had the General Revenue Fund recorded its financial contributions properly, tangible capital assets would decrease and accumulated deficit would increase by \$69 million at March 31, 2013, current year expenses would increase by \$69 million, and the surplus would decrease by the same amount.

#### ***Adverse Opinion***

In my opinion, because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly the financial position of the General Revenue Fund as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

#### ***Restriction on Use and Usefulness of these Financial Statements is Limited***

The primary purpose of the General Revenue Fund financial statements is to report the performance of the Fund against the Estimates. As a result, the financial statements are not suitable for another purpose. These financial statements contain significant departures from Canadian public sector accounting standards and only report transactions and events of the General Revenue Fund, a component of the Summary Financial Statements. Therefore, readers should not use the General Revenue Fund financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources. Rather, they should use the Summary Financial Statements of the Government of Saskatchewan.

The Government is comprised of over 270 different entities other than the General Revenue Fund. The extent of the Government's controlled financial activities outside of this Fund is significant. Consideration of the financial activities of these entities and adjusting for the qualifications to the General Revenue Fund has the following impact: total financial assets increase by \$6,249 million (2012 - \$6,105 million); total liabilities increase by \$7,533 million (2012 - \$7,088 million); net debt increases by \$1,284 million (2012 - \$983 million); total non-financial assets increase by \$3,835 million (2012 - \$3,747 million); accumulated deficit decreases by \$2,551 million (2012 - \$2,764 million); total revenue including net income from government business enterprises increases by \$2,848 million (2012 - \$2,161 million); total expense increases by \$2,869 million (2012 - \$2,618 million); and the annual surplus decreases by \$21 million (2012 - \$457 million).

Only the Summary Financial Statements report the full nature and extent of the overall financial affairs and resources of the Government of the Province of Saskatchewan.

**BONNIE LYSYK, MBA, CA**  
Provincial Auditor

Regina, Saskatchewan  
June 18, 2013

## 6.0 GLOSSARY

**Accumulated deficit** – the sum of the net debt of the government and its non-financial assets or alternatively, the amount by which expense has exceeded revenue from the inception of the agency plus any required accounting adjustments. This amount reveals important information about an entity's financial position.

**Annual surplus (deficit)** – the amount by which total revenue for the reporting period exceeds total expenses for the reporting period or conversely, total expenses for the reporting period exceed total revenues for the reporting period.

**Balanced budget** – a financial plan whereby planned total expenses for the fiscal period(s) are equal or less than the planned total revenue for the same fiscal period(s).

**Financial asset** – an asset that can be used to discharge existing liabilities or finance future operations and is not for consumption in the normal course of operations.

**Liability** – an amount owed to another party that may be settled through a transfer or use of assets, provision of services, or other yielding of economic benefits in the future.

**Net Debt** – a measure of a government's financial position that is calculated as the difference between financial assets and liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events. If the total financial assets exceed the total liabilities, it is called net assets.

**Transfer** – a transfer of money from a government to an individual, an organization, or another government or government agency for which the government making the transfer does not receive any goods or services directly in return, as would occur in a purchase/sale transaction; expect to be repaid in the future, as would be expected in a loan; or expect a financial return, as would be expected in an investment.



# Annual Integrated Audits

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## Chapter 2

### Advanced Education

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Advanced Education (Advanced Education) (formerly the Ministry of Advanced Education, Employment and Immigration) and its agencies.

Advanced Education and its agencies complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2013 financial statements of each of Advanced Education's funds and agencies are reliable. Advanced Education and its agencies had effective rules and procedures to safeguard public resources except Advanced Education needs to:

- › Properly record in its financial records the funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and the related liabilities
- › Sign a complete memorandum of understanding with the Ministry of the Economy to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance
- › Improve information technology (IT) processes for removing user access, sign an adequate agreement with the Information Technology Office of the Ministry of Central Services (ITO)<sup>1</sup> on disaster recovery of computer systems and data, and monitor the effectiveness of ITO's security controls to protect Advanced Education's computer systems and data

#### 2.0 INTRODUCTION

Advanced Education is responsible for the post-secondary education system that supports a growing Saskatchewan and leads to a higher quality of life. Saskatchewan's post-secondary education system is critical to the province's labour force development.<sup>2</sup>

For the year ended March 31, 2013, Advanced Education utilized 135.3 full-time equivalent positions.<sup>3</sup>

<sup>1</sup> Effective May 25, 2012, the Information Technology Office became a part of the Ministry of Central Services.

<sup>2</sup> Ministry of Advanced Education, *2012-13 Annual Report*, p. 3.

<sup>3</sup> *Ibid.*, p. 17.





## 2.1 Financial Overview

For the year ended March 31, 2013, Advanced Education spent \$723 million on its programs and had revenues of \$9.38 million. Information about Advanced Education's revenues and expenditures appears in its *2012-13 Annual Report*.<sup>4</sup>

**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management Services	\$ 10.2	\$ 10.2
Student Supports	66.9	67.0
Post-Secondary Education	642.1	642.5
Immigration	0.1	0.1
Labour Force Development	<u>3.3</u>	<u>0.2</u>
<b>Total Appropriation</b>	<u>722.6</u>	<u>720.0</u>
Capital Asset Acquisitions	-	(1.4)
Capital Asset Amortization	2.0	1.4
Other*	-	2.8
<b>Total Expense</b>	<u>\$ 724.6**</u>	<u>\$ 722.8</u>

Source: Ministry of Advanced Education, *2012-13 Annual Report*, p. 16-17

\* Includes the change in inventory held for use or consumption, the change in prepaid expenses, gains and losses on disposal of capital assets and write-down of capital assets.

\*\* The Ministry received an additional \$4.1 million authorized through the Saskatchewan Supplementary Estimates and statutory adjustments.

## 2.2 Related Special Purpose Funds and Agencies

At March 31, 2013, Advanced Education was responsible for the following special purpose funds and agencies (agencies) covered by our audits this year:

Year-end	Agency	Appointed Auditor*
March 31	Saskatchewan Student Aid Fund	N/A
March 31	Training Completions Fund	N/A
June 30	Carlton Trail Regional College	E.J.C. Dudley & Co.
June 30	North West Regional College	Baert Cameron Odishaw La Cock Chartered Accountants
June 30	Northlands College	MNP LLP
June 30	Saskatchewan Institute of Applied Science and Technology	We audit jointly with Deloitte LLP

\* N/A means not applicable because we do the audit directly

<sup>4</sup> See [www.ae.gov.sk.ca/ministry-plans-annual-reports](http://www.ae.gov.sk.ca/ministry-plans-annual-reports) (30 October 2013).

Our Office worked with the appointed auditors to carry out our audit work. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>5</sup>

Advanced Education is also responsible for four other colleges (Cumberland, Great Plains, Parkland, Southeast). We audit colleges on a cyclical basis. We require the appointed auditors of the colleges that are not in the current cycle to provide us with reports that set out the results of their audits. We review these reports and have discussions with Advanced Education officials to identify if significant matters exist for these colleges. If so, we work with the appointed auditors on these matters. The appointed auditors of the four colleges did not report any significant matters.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the years ending on or before June 30, 2013:**

- › **Advanced Education and its agencies had effective rules and procedures to safeguard public resources except as reported in this chapter**
- › **Advanced Education and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Government Organization Act*  
*The Ministry of Advanced Education Regulations*  
*The Post-Secondary Education and Skills Training Act*  
*The Education Act, 1995 (Section 3(1))*  
*The Graduate Retention Program Act*  
*The Graduation Retention Program Regulations*  
*The Private Vocational Schools Regulation Act, 1995*  
*The Private Vocational Schools Regulation, 1995*  
*The Public Service Act, 1998*  
*The Regional Colleges Act*  
*The Regional Colleges Regulations*  
*The Regional Colleges Program Designation Regulations*

*The Regional Colleges Programs and Services Regulations, 1997*  
*The Financial Administration Act, 1993*  
*The Saskatchewan Institute of Applied Science and Technology Act*  
*The Student Assistance and Student Aid Fund Act, 1985*  
*The Lender-financed Saskatchewan Student Loan Regulations*  
*The Student Assistance and Student Aid Fund Regulations, 2001*  
*The Saskatchewan Student Direct Loans Regulations*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

- › **The agencies had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Advanced Education's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Advanced Education's rules and procedures to safeguard public resources includes assessing the design and effectiveness of its control activities relating to grants. Grants amount to approximately 89% of the total Ministry expenditures.

<sup>5</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Funding to Post-Secondary Educational Institutions for Debt Repayment Not Properly Recorded

During our audit, we found that Advanced Education had established a practice of providing post-secondary educational institutions (institutions) with funding to enable them to repay the principal and interest due on loans for their capital projects. Instead of providing funding during the development of the project, Advanced Education decided to let the institutions borrow money from a financial institution and provide the institutions with funding as the principal and interest on these loans comes due. These institutions rely on this source of funding to repay their loans, and Advanced Education has created an expectation or guarantee to the institutions that it will provide them with sufficient funding to do so.

Canadian public sector accounting principles require transactions to be accounted for based on their substance. As such, loans expected to be repaid through future government funding should be accounted for as a liability and expense in the year that the expectation or promise is made.

Advanced Education inappropriately accounted for these funding arrangements on a “pay-as-you-go” basis instead of on an accrual basis. For the year ended March 31, 2013, Advanced Education did not record liabilities of \$99.9 million and the related expense of \$57.1 million in its financial records.

- 1. We recommend that the Ministry of Advanced Education follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to post-secondary educational institutions for the repayment of principal and interest due on loans and the related liabilities.**

### 4.2 Shared Service Agreement Needed

Advanced Education does not have an adequate shared service agreement with the Ministry of the Economy pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual*, section 3007.08 requires that shared service arrangements between ministries be supported by a memorandum of understanding (MOU). While an MOU was signed between the ministries in June 2013, work continues

on the MOU to address governance and good business practices. A complete MOU is necessary so that both ministries understand their respective roles and responsibilities.

2. **We recommend that the Ministry of Advanced Education sign a complete memorandum of understanding with the Ministry of the Economy that defines all key roles and responsibilities for shared services.**

We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Immigration) sign a memorandum of understanding for shared services with the Ministry of Labour Relations and Workplace Safety. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

Advanced Education has now signed an MOU for shared services with the Ministry of Labour Relations and Workplace Safety.

## 4.3 Governance and Accountability of Regional Colleges Needs Strengthening

In our *2011 Report – Volume 2*, we reported that Advanced Education needed to strengthen governance and accountability processes to ensure regional college boards fulfill their responsibilities under *The Regional Colleges Act*. We reported that Advanced Education’s review processes did not promptly identify significant governance problems at Carlton Trail Regional College.

### 4.3.1 Governance Recommendations for Advanced Education Met

We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Immigration) ensure that boards of regional colleges are trained to fulfill their governance responsibilities and their responsibilities under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

Advanced Education has developed a three-year action plan to strengthen governance and accountability in the post-secondary sector. The plan includes reviewing the current state of governance and accountability practices within the sector and developing



sector-specific board governance training and certification. Regional college board members began attending board governance training and certification sessions in 2013.

We recommended that the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Immigration) regularly evaluate whether boards of regional colleges are fulfilling their governance responsibilities and their responsibilities under *The Regional Colleges Act*. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

Advanced Education has strengthened its monitoring and oversight of board performance through the receipt and review of board meeting packages and minutes. Advanced Education also engaged an external consultant to undertake an assessment of current governance policies and an evaluation of board performance for each regional college. Recommendations have been provided to each regional college as a result of this evaluation. Advanced Education is monitoring the progress made on these recommendations during its regular involvement with each regional college.

### 4.3.2 Governance Recommendations for Carlton Trail Regional College Met

We recommended that the Board of Carlton Trail Regional College fulfill its governance obligations and its responsibilities under *The Regional Colleges Act* by:

- › Ensuring that Board motions and decisions are restricted to members of the Board
- › Documenting Board decisions and support for decisions
- › Having or obtaining through Board training appropriate knowledge and skills
- › Regularly evaluating its performance

(2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

In our *2012 Report – Volume 2*, we described that motions and decisions have been appropriately restricted to members of the Board, and Board minutes contained adequate documentation of decisions and support for decisions made by the Board. Since then, Board members have begun attending the Board governance training and certification sessions described in **Section 4.3.1** above. The Board has also completed self-assessments and evaluated its performance to identify areas of strength and areas for improvement.

## 4.4 Great Plains Regional College Restricted Access to its Financial Reporting System

We recommended that Great Plains Regional College develop written policies and procedures to appropriately restrict staff access to its financial reporting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During the year, Great Plains Regional College developed written policies and procedures to restrict access for staff to its financial reporting system.

## 4.5 Information Technology Controls Need Improvement—Advanced Education

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education and Immigration) follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

In 2012-13, Advanced Education followed its processes for promptly removing user access to its computer systems from individuals who no longer work for the Ministry.

However, Advanced Education continues to provide additional enhanced user access (i.e., local administration rights) to certain individuals. It does not maintain a listing of these individuals and the rationale for why they need this access. Advanced Education does not know if these individuals continue to need this access. Advanced Education has indicated that it has established a protocol with ITO for new requests for enhanced user access. As well, Advanced Education has requested that the ITO identify all users that have enhanced user access. Advanced Education needs to remove unnecessary user access from current employees.

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

**Status** – Implemented

Advanced Education has now prepared and approved an IT strategic plan.



We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office of the Ministry of Central Services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Not Implemented**

During 2011-2012, Advanced Education signed an MOU with the ITO. However, the MOU does not adequately address disaster recovery. As a result, neither Advanced Education nor ITO knows whether systems and data can be restored when needed by Advanced Education in the event of a disaster. This could result in Advanced Education not being able to provide timely services to the public.

We recommended the Ministry of Advanced Education (formerly the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Office of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status – Not Implemented**

Advanced Education is working with ITO to implement a security plan, including security policy guidance, reporting improvements, employee awareness, better system access controls and security audits. Without a security plan, Advanced Education does not know if ITO is addressing its security needs.

## **4.6 Information Technology Controls Need Improvement—North West and Northlands Regional Colleges**

North West Regional College does not have an IT strategic plan. An IT strategic plan can help management ensure IT initiatives are documented and aligned with the College's direction. It would also help management determine if it has addressed strategic threats and risks to the College's IT security. North West Regional College needs an IT strategic plan to ensure its use of resources supports its strategic objectives.

**3. We recommend that North West Regional College prepare an information technology strategic plan.**

North West Regional College and Northlands College do not have formal IT disaster recovery plans. A disaster recovery plan can help IT personnel know and understand their responsibilities and tasks that should be performed in an emergency situation. A

plan would establish procedures to restore vital and/or critical technology systems and data in the event of a human, technical, or natural disaster.

**4. We recommend that North West Regional College prepare and test a disaster recovery plan for its computer systems and data.**

**5. We recommend that Northlands College prepare and test a disaster recovery plan for its computer systems and data.**

North West Regional College does not have formal, approved policies and procedures in place for its IT systems and data including policies concerning passwords, backups, and granting and removing user access. Documented, up-to-date IT policies and procedures will help ensure the confidentiality and integrity of information systems and data.

**6. We recommend that North West Regional College develop written policies and procedures for its information technology systems and data.**





## Chapter 3 Agriculture

### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Agriculture (Agriculture), its agencies, and special purpose funds for the year ended March 31, 2013.

Agriculture, its three agencies, and six special purpose funds complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013 financial statements of Agriculture's agencies and special purpose funds are reliable except the 2013 financial statements of the Prairie Agricultural Machinery Institute (PAMI) are not yet complete.<sup>1</sup>

Agriculture, its agencies, and the Saskatchewan Agriculture Stabilization Fund had effective rules and procedures to safeguard public resources except Agriculture needs to improve its process for preparing the AgriStability estimate and obtain adequate assurance from the Information Technology Office of the Ministry of Central Services over Agriculture's computer systems and data.

Agriculture has made some progress in addressing our other past recommendations.

### 2.0 INTRODUCTION

The purpose of Agriculture is to enable a prosperous market-driven agricultural industry through a supportive legislative framework, policies, and programs and services.<sup>2</sup>

### 2.1 Financial Overview

In 2012-13, Agriculture recorded revenues of \$165.1 million (2012 - \$144.5 million) comprised primarily of transfers from the federal government for agricultural programs, as well as lease revenue and land sales. Agriculture's annual report provides further detail on its revenues and expenses including reasons for any differences from its approved budget.<sup>3</sup> Also, at March 31, 2013, Agriculture held agricultural lands, buildings, and equipment with a net book value of \$69.7 million.

Agriculture provides significant funding to others (e.g., \$406.7 million to Saskatchewan Crop Insurance Corporation for the crop insurance, excess moisture, and AgriStability programs). At March 31, 2013, Agriculture had 440 employees.<sup>4</sup>

<sup>1</sup> At October 31, 2013, Treasury Board had not yet approved the format of the financial statements for Prairie Agriculture Machinery Institute for the year ended March 31, 2013 and therefore we have not issued our audit opinion.

<sup>2</sup> Ministry of Agriculture, *Ministry Plan for 2012-13*, p. 2.

<sup>3</sup> [www.agriculture.gov.sk.ca/ministry-overview](http://www.agriculture.gov.sk.ca/ministry-overview) (9 October 2013).

<sup>4</sup> Government of Saskatchewan, *Ministry of Agriculture, 2012-13 Annual Report*, p. 5.



**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 10.9	\$ 10.2
Policy and Planning	3.7	3.5
Research and Technology	20.4	20.0
Regional Services	41.9	35.6
Land Management	6.6	5.8
Industry Assistance	5.4	5.2
Irrigation and Water Infrastructure	9.6	8.0
Financial Programs	8.8	7.0
Business Risk Management	<u>321.4</u>	<u>406.7</u>
<b>Total Appropriation</b>	428.7	502.0
Capital Asset Amortization	<u>2.1</u>	<u>2.1</u>
<b>Total Expenses</b>	<b>\$ 430.8</b>	<b>\$ 504.1</b>

Source: 2012-13 Ministry of Agriculture Annual Report

\*During the year, Agriculture obtained additional funding through a special warrant of \$43.2 million.

## 2.2 Background

The authority for Agriculture is contained in *The Department of Agriculture, Food and Rural Revitalization Act*. Agriculture is responsible for many agencies that administer and support agricultural programs in Saskatchewan. Each of the following funds and agencies has a March 31 year-end:

### Special Purpose Funds (Funds)

Agricultural Implements Board  
Crop Reinsurance Fund of Saskatchewan  
Horned Cattle Fund  
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund  
Livestock Services Revolving Fund  
Pastures Revolving Fund  
Saskatchewan Agricultural Stabilization Fund

### Crown Agencies (Agencies)

Agricultural Credit Corporation of Saskatchewan  
Prairie Agricultural Machinery Institute  
Saskatchewan Crop Insurance Corporation  
Saskatchewan Grain Car Corporation

## 3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audits, we worked with the appointed auditor of a fund and certain agencies, as noted in **Figure 2**, using the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>5</sup>

**Figure 2—Special Purpose Funds and Crown Agencies with an Appointed Auditor**

Agency	Appointed Auditor (at March 31, 2013)
Saskatchewan Agricultural Stabilization Fund	KPMG LLP
Agricultural Credit Corporation of Saskatchewan	MNP LLP
Saskatchewan Grain Car Corporation	Skilnick Miller Moar Grodecki & Kreklewich

We reported on the results of our audits of the Saskatchewan Crop Insurance Corporation and Crop Reinsurance Fund of Saskatchewan in Chapter 20.

**In our opinion, for the year ended March 31, 2013:**

- **Agriculture, its agencies, and the Saskatchewan Agriculture Stabilization Fund had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- **Agriculture, its funds, and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<i>The Agri-Food Act, 2004</i>	<i>The Horned Cattle Purchases Act</i>
<i>The Agri-Food Regulations, 2004</i>	<i>The Horned Cattle Purchases Regulations, 1983</i>
<i>The Agricultural Credit Corporation of Saskatchewan Act</i>	<i>The Intensive Livestock Operations Environmental Rehabilitation Program Regulations</i>
<i>The Agricultural Credit Corporation of Saskatchewan Regulation, 1989</i>	<i>The Livestock Dealer Regulations, 1995</i>
<i>The Agriculture Implements Act</i>	<i>The Livestock Inspections and Transportation Regulations, 1978</i>
<i>The Agriculture Implements Regulations, 1982</i>	<i>The 2011 Saskatchewan Feed and Forage Program Regulations</i>
<i>The Animal Identification Act</i>	<i>The Short-term Hog Loan Regulations, 2008</i>
<i>The Animal Products Act</i>	<i>The Short-term Cattle Loan Program Regulations</i>
<i>The Brand Regulations</i>	<i>The Wildlife Damage and Livestock Predation Regulations</i>
<i>The Crop Insurance Act</i>	<i>The Financial Administration Act, 1993</i>
<i>The Crop Insurance Amendment Regulations, 2012 (No. 2)</i>	<i>The Government Organization Act</i>
<i>The Department of Agriculture, Food and Rural Revitalization Act</i>	<i>The Irrigation Act, 1996</i>
<i>The Ministry of Agriculture Regulations, 2007</i>	<i>The Pastures Act</i>
<i>The Farm Financial Stability Act</i>	<i>The Pastures Regulations</i>
<i>The AIDA and SFIP Program Regulations</i>	<i>The Prairie Agricultural Machinery Institute Act, 1999</i>
<i>The Canada Saskatchewan Specified Risk Material Management Program Regulations</i>	<i>The Prairie Agricultural Machinery Institute Regulations, 1999</i>
<i>The Cattle Breeder Associations Loan Guarantee Regulations, 1991</i>	<i>The Provincial Lands Act</i>
<i>The Cattle Feeder Associations Loan Guarantee Regulations, 1989</i>	<i>The Provincial Lands Regulations</i>
<i>The Excess Moisture Program Regulations, 2011</i>	<i>The Public Service Act, 1998</i>
<i>The Farm and Ranch Water Infrastructure Program Regulations</i>	<i>The Purchasing Act, 2004</i>
	Contracts and Orders in Council issued pursuant to the above legislation

<sup>5</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



- › **The financial statements of the funds and agencies are reliable, except the financial statements of the Prairie Agriculture Machinery Institute are not yet complete**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Agriculture's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In the 2012-13 audits, we examined the effectiveness of Agriculture's financial-related controls used to administer its spending, revenues, and key assets. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports. We paid particular attention to the following two areas:

- › Processes Agriculture used to estimate its costs for key business management programs and related amounts it owed to and owing from others. Information on the actual costs and recovery of those costs from the federal government is not available at year end for some of these key programs
- › Controls over key computer systems that Agriculture relied on to administer its programs (e.g., agricultural land, land leases, and land sales)

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Year-End Estimate Process Needs Refinement

We recommended that the Ministry of Agriculture use the most current information when estimating program expenses. (2011 Report – Volume 2; Public Accounts Committee agreement April 10, 2013)

**Status** – This recommendation was replaced by the following more comprehensive recommendation that we made in our *2013 Report – Volume 1*, Chapter 7.

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

For the AgriStability program, the deadline for producers to submit program forms is September 30, which is after Agriculture's March 31 year-end. Also, the program allows producers to amend their submissions for up to two years after the September 30 deadline. Given the program deadline and ability for producer amendments, at March 31, 2013, Agriculture had complete information for only a few producers when making its estimate of the amount it owed for benefit payments at year-end. At March 31, 2013 Agriculture estimated that it owed \$88 million of benefit payments.

Agriculture relies on the federal government's model for determining the total estimated expenses even though it is aware that the federal government's model has not provided reasonably accurate results in the past. Agriculture has not conducted sufficient alternative procedures to refine the accuracy of the federal estimates or adequately documented its procedures for reviewing the assumptions made in the calculation of the estimates. In part because of these deficiencies in Agriculture's processes to make these estimates, Agriculture's March 31 estimates have fluctuated significantly since the inception of the AgriStability program. For example, **Figure 3** presents a four-year history of these program expenses and the change in each estimate in the following year.

Agriculture works with Saskatchewan Crop Insurance Corporation (SCIC) to calculate its share of the program benefits for AgriStability and to complete the schedules required for completion of the General Revenue Fund financial statements. Agriculture and SCIC both need information that is consistent and reflects the most current information available.

Without good processes to estimate the AgriStability liability and expenses, there is a risk that the General Revenue Fund financial statements and the Summary Financial Statements may not be correct. Agriculture needs to work with SCIC to ensure its processes accurately estimate the expenses and liability at March 31 each year.

**Figure 3—Four-Year History of AgriStability Program Expenses**

Year	Total AgriStability Expense Recorded in Fiscal Year (in millions)	Overstatement or (Understatement) of Recorded Expense (in millions)	Percentage change to Initial Expense Recorded
2009-10	\$ 96.9	\$ 48.2	50%
2010-11	109.3	4.7	4%
2011-12	40.6	(35.6)	(88)%
2012-13	145.3	Not yet available	N/A

Source: Ministry of Agriculture accounting records



## 4.2 Senior Management Approval of Accounting Estimates Documented

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We recommended that the Ministry of Agriculture require senior management to review and document its approval of the results of the AgriStability forecast prior to providing the Ministry's agreement with the forecast to the federal government.

(2011 Report – Volume 2; Public Accounts Committee agreement April 10, 2013)

**Status** – Implemented

Agriculture has improved its documentation of senior management approval of accounting estimates by implementing a cover page with the estimates where senior management must sign off indicating their review and approval.

## 4.3 Cash Receipts from Land Sales Monitored

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We recommended that the Ministry of Agriculture develop processes to track cash receipts from land sales. (2011 Report – Volume 2; Public Accounts Committee agreement April 10, 2013)

**Status** – Implemented

During 2012-13, Agriculture developed and implemented processes to track cash receipts from land sales. A system-generated report is created monthly to track payments received late and a reconciliation is performed.

## 4.4 Disaster Recovery Plans Tested

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We recommended that the Ministry of Agriculture have tested disaster recovery plans for its critical computer systems. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Implemented

In July 2011, Agriculture signed a new memorandum of understanding with its information technology (IT) service provider, the Information Technology Office of the Ministry of Central Services (ITO). In November 2012, Agriculture approved a new IT strategic plan. During the preparation and analysis for these activities, Agriculture had identified three critical IT systems (there are 50 IT systems in total) that need to be up and running less than one week after an interruption in order for Agriculture to continue with its business operations.

In 2012-13, Agriculture created and tested disaster recovery plans (DRPs) for its three critical systems. These systems are the Livestock Information Management System (LIMS), Crown Land Management System (CLMS), and SalesLogic.

## **4.5 ITO Assurance on Operating Effectiveness Needed**

We recommended that the Ministry of Agriculture obtain assurance from the Information Technology Office on the operating effectiveness of the Information Technology Office's controls over its client systems and data and assess the impact of deficient controls on the Ministry of Agriculture's operations. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Partially Implemented

During 2012-13, Agriculture continued to work with ITO to obtain information about the quality of ITO's controls over Agriculture's computer systems and data. During 2012-13, Agriculture did not receive such assurance. An example of the information that Agriculture did not receive is a report on the patching completed on computer servers. Without this information, Agriculture is not aware of the extent to which its IT applications hosted by ITO are subject to vulnerabilities such as security threats.





## Chapter 4 Central Services

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Central Services (Central Services) for the year ended March 31, 2013.

Central Services and the Archives Board (Board) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The Board's financial statements are reliable.

Central Services had effective rules and procedures to safeguard public resources except that it needs to:

- › Follow its established procedures to promptly remove unneeded user access to information technology (IT) services
- › Sign adequate agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements
- › Prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*

### 2.0 INTRODUCTION

Effective May 25, 2012, Central Services brought together a number of central service functions of government, including the Ministry of Government Services, the Information Technology Office (ITO), and the Public Service Commission (PSC).

The mandate of Central Services is to support government program delivery by providing accommodation and property management, transportation services, purchasing, risk management, records management, telecommunications, mail distribution, human resource services and IT services. Central Services provides centralized support services to government ministries and agencies and manages an extensive portfolio of property.<sup>1</sup>

As of March 31, 2013, Central Services employed 1,258.5 full-time equivalent employees located in 154 communities in 704 leased or owned buildings. Owned buildings had a replacement value of \$3.45 billion. The Ministry also owned 4,653 vehicles and six aircraft.<sup>2</sup>

During 2012-13, Central Services issued 306,272 pay cheques, 13,589 benefit statements and 17,487 T4 statements, and filled 1,069 full-time positions in government ministries. The Ministry processed 17.5 million pieces of mail, delivered 32 million

<sup>1</sup> Ministry of Central Services, *2012-13 Annual Report*, p. 5.

<sup>2</sup> *Ibid.*



emails, completed 115,000 IT service requests, stored 210,000 boxes of government records and tendered \$143 million in goods.<sup>3</sup>

At March 31, 2013, Central Services was responsible for the Saskatchewan Archives Board (Board).

### 3.0 FINANCIAL OVERVIEW

The following section outlines Central Services' major programs and spending. **Figure 1** separates the spending by each of its key components.

Central Services operates on a cost-recovery basis and therefore charges its clients (other ministries and public agencies) for the costs of the goods and services that Government Services provides. It calls this commercial operations. In 2012-13, Central Services had commercial operations revenue of \$75.3 million and expenses of \$75.6 million. Also, Central Services recovered costs of services provided to client ministries and agencies totaling \$191 million for central and accommodation services and \$106 million for IT services. Central Services also held tangible capital assets totaling \$532 million. This is comprised of \$517 million by Government Services, \$6 million by PSC, and \$9 million by ITO.

**Figure 1—Major Programs and Spending**

	Government Services		Public Service Commission		Information Technology Office		Total Central Services	
	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13
(in millions)								
Central Management and Services	\$ 0.05	\$ 0.05	\$ 4.46	\$ 5.27	\$ 2.12	\$ 1.48	\$ 6.63	\$ 6.80
Property Management	12.24	7.21	NA*		NA		12.24	7.21
Purchasing	1.88	1.63					1.88	1.63
Transportation Services	-	4.07					-	4.07
Government Services	0.38	0.35					0.38	0.35
Saskatchewan Archives Board**	4.34	4.34					4.34	4.34
Human Resource Client Services and Support	NA						14.72	14.54
Corporate Human Resources and Employee Relations			3.35	5.96	3.35	5.96		
Employee Service Centre			14.51	12.19	14.51	12.19		
IT Coordination and Transformation Initiatives			NA		5.46	4.98	5.46	4.98
Interministerial Services					-	(0.27)	-	(0.27)

<sup>3</sup> Ibid.

	Government Services		Public Service Commission		Information Technology Office		Total Central Services	
	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13	Estimates 2012-13	Actual 2012-13
(in millions)								
Application Administration and Support					8.69	9.16	8.69	9.16
Major Capital Asset Acquisitions	<u>58.13</u>	<u>56.48</u>	_____	_____	<u>4.25</u>	<u>4.21</u>	<u>62.38</u>	<u>60.69</u>
<b>Total Appropriation***</b>	<u>77.02</u>	<u>74.13</u>	<u>37.04</u>	<u>37.96</u>	<u>20.52</u>	<u>19.56</u>	<u>134.58</u>	<u>131.65</u>
Amortization of Capital Assets	NA		1.50	1.50	0.42	-	1.92	1.50
Capital Assets Acquisitions	(58.13)	(56.48)	NA		(4.25)	(4.21)	(62.38)	(60.69)
Commercial Activity Deficit	_____ -	<u>(0.29)</u>	_____	_____	_____	_____	_____ -	<u>(0.29)</u>
<b>Total Expense</b>	<u>\$ 18.89</u>	<u>\$ 17.36</u>	<u>\$ 38.54</u>	<u>\$ 39.46</u>	<u>\$ 16.69</u>	<u>\$ 15.35</u>	<u>\$ 74.12</u>	<u>\$ 72.17</u>

Source: Ministry of Central Services, 2012-13 Annual Report, p. 35-44

\* Not applicable

\*\* Previously part of Office of Provincial Capital Commission-Vote 85

\*\*\* Comprised of Votes 13, 74, 33, and a portion of Vote 85

## 4.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- › **Central Services had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Central Services and the Board complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Archives Act, 2004*  
*The Archives Regulations*  
*The Economic and Co-operative Development Act (Sections 8(c), 9(1)(h), and 9(3))*  
*The Information Technology Office Service Regulations*  
*The Public Works and Services Act*  
*The Purchasing Act, 2004*  
*The Purchasing Regulations*  
*The Public Service Act, 1998*  
*The Public Service Regulations, 1999*  
*The Crown Employment Contracts Act*  
*The Revenue and Financial Services Act*  
*The Government Organization Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

- › **The Board's financial statements are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Central Services'



controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2013-13 audit, we examined the effectiveness of Central Services' financial-related controls used to administer its spending, revenues, and various assets consistent with related authorities. In addition, we examined the effectiveness of the controls that Central Services uses to keep reliable financial records, prepare reliable financial reports, and safeguard its assets. This included evaluating its processes for tendering and awarding contracts, purchasing capital assets and other goods or services, tracking significant projects and contracts, and charging its customers for the goods and services that it provides.

This chapter also provides the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline the key observations from our assessments and the resulting recommendations.

### 5.1 Timely Removal of User Access Needed

We recommended that the Ministry of Central Services (formerly the Ministry of Government Services) adequately monitor the security of its information technology systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Not Implemented

We recommended that the Ministry of Central Services (formerly the Public Service Commission) follow its established procedures for removing user access to its computer systems and data. (2010 Report – Volume 2; Public Accounts Committee agreement June 7, 2011)

**Status** – Not Implemented

We recommended that the Ministry of Central Services (formerly the Information Technology Office) follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – Not Implemented

Central Services has processes for promptly removing user access from individuals who no longer work for the Ministry. However, it did not always follow these processes in 2012-13. We found 18 out of 24 (including 10 from PSC and four from ITO) individuals that we tested did not have their access removed promptly. If former employees do not have access removed promptly, it increases the risk of inappropriate access to the Central Services' systems and data.

## 5.2 Adequate Service Agreements Needed— Information Technology Office

We recommended that the Ministry of Central Services (formerly the Information Technology Office) sign agreements with its clients on security and disaster recovery processes, expectations, and reporting requirements. (2005 Report – Volume 3; Public Accounts Committee agreement May 16, 2006)

**Status** – Partially Implemented

ITO now has signed agreements with all clients to which it provides services. However, some agreements do not adequately address disaster recovery and reporting requirements. Without an adequate signed agreement, there is a risk that there may not be appropriate agreement on all matters and that client needs may not be met.

## 5.3 Accurate and Complete Financial Reports Needed— Information Technology Office

We recommended that the Ministry of Central Services (formerly the Information Technology Office) prepare accurate and complete year-end financial reports as required by the *Financial Administration Manual*. (2010 Report – Volume 2; Public Accounts Committee agreement June 6, 2011)

**Status** – Not Implemented

The *Financial Administration Manual* requires Central Services to give the Ministry of Finance a year-end financial report that shows the revenues, expenses, assets and liabilities of ITO. The Ministry of Finance uses this report to prepare the financial statements of the General Revenue Fund. The Ministry of Finance cannot prepare accurate financial statements unless Central Services provides accurate financial information.

Central Services' year-end financial reports contained several significant errors for the year-ended March 31, 2013. For example, its contractual obligations schedule had several incorrect amounts, which resulted in the schedule being revised three separate times.



## 6.0 EXHIBIT

### 6.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.

#### Exhibit 1—Outstanding PAC Recommendations

PAC Report Year	Outstanding Recommendation	Status
<b>Central Services (formerly Government Services) – Processes to Maintain Buildings (2009 Report – Volume 1)</b>		
2011	6-1 that the Ministry of Government Services establish and implement processes to ensure the information on its buildings is accurate, complete, and available.	<b>Partially Implemented</b> (as of March 31, 2011) Follow-up planned for 2014.
2011	6-2 that the Ministry of Government Services approve adequate maintenance plans for all the buildings the Ministry owns.	<b>Partially Implemented</b> (as of March 31, 2011) Follow-up planned for 2014.
2011	6-3 that the Ministry of Government Services sign adequate agreements with its clients that describe each of the parties' responsibilities.	<b>Partially Implemented</b> (as of March 31, 2011) Follow-up planned for 2014.
2011	6-4 that the Ministry of Government Services have processes so that maintenance is effectively carried out on all of its buildings.	<b>Partially Implemented</b> (as of March 31, 2011) Follow-up planned for 2014.
2011	6-5 that the Ministry of Government Services provide senior management adequate reports to monitor the process to maintain its buildings.	<b>Partially Implemented</b> (as of March 31, 2011) Follow-up planned for 2014.
<b>Central Services (formerly Public Service Commission) – MIDAS HR/Payroll (2010 Report – Volume 1)</b>		
2010	9-1 that the Public Service Commission amend its service level agreements (SLAs) with ministries to clearly assign responsibilities for key payroll activities (i.e., managing payroll, approving payroll payments, and investigating payroll differences).	<b>Partially Implemented</b> (as of December 31, 2012) Annual audit planned for 2014.
2010	9-3 that the Public Service Commission consistently document its review of payroll reports and resolution of matters resulting from its review.	<b>Partially Implemented</b> (as of December 31, 2012) Annual audit planned for 2014.
<b>Central Services (formerly Information Technology Office) – Annual Security Audit</b>		
2007	6-4 that the Information Technology Office of the Ministry of Central Services have a disaster recovery plan for the data centre and client systems. (2006 Report – Volume 3)	<b>Not Implemented</b> (as of March 31, 2013) Annual audit planned for 2014.

PAC Report Year	Outstanding Recommendation	Status
2011	12-1 that the Information Technology Office of the Ministry of Central Services provide relevant and timely security reports to its clients. (2009 Report – Volume 3)	<b>Partially Implemented</b> (as of March 31, 2013) Annual audit planned for 2014.
2009	12-2 that the Information Technology Office of the Ministry of Central Services establish information technology security policies for its clients. (2008 Report – Volume 3)	<b>Partially Implemented</b> (as of March 31, 2013) Annual audit planned for 2014.





## Chapter 5

### Economy

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Ministry of the Economy (Economy). Economy combines the former Ministry of Energy and Resources, Enterprise Saskatchewan, the economic development components of First Nations and Métis Relations, and certain labour force development components of the former Ministry of Advanced Education, Employment and Immigration.

Economy, its two agencies, and three special purpose funds complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2013 financial statements of Economy's Crown agencies and its special purpose funds are reliable. Economy and its Crown agencies had effective rules and procedures to safeguard public resources except where Economy needs to:

- › Improve information technology (IT) processes to promptly remove unneeded user access
- › Sign a complete memorandum of understanding with the Ministry of Advanced Education to avoid misunderstandings pertaining to shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance
- › Properly record, in its financial records for inclusion in the Government's financial statements, its environmental liabilities for the cleanup of:
  - The Gunnar Uranium Mine and Mill Site
  - Orphaned oil and gas wells and their related facilities

#### 2.0 INTRODUCTION

Economy is responsible for leading and coordinating growth in Saskatchewan by working with other ministries, stakeholders, and the general public to keep Saskatchewan moving forward. Economy comprises three primary lines of business: enhance economic growth and competitiveness; regulate responsible resource development; and attract, develop, and retain a skilled workforce.<sup>1</sup>

<sup>1</sup> Ministry of the Economy, *Plan for 2013-14*, p. 3, 5, and 6.



## 2.1 Special Purpose Funds and Crown Agencies

At March 31, 2013, Economy was responsible for the following special purpose funds and Crown agencies. Each one has a March 31, 2013 year end.

### Special Purpose Funds (Funds)

Oil and Gas Orphan Fund

Institutional Control Monitoring and Maintenance Fund

Institutional Control Unforeseen Events Fund

### Crown Agencies (Agencies)

Enterprise Saskatchewan

Tourism Saskatchewan

## 2.2 Financial Overview

In 2012-13, Economy collected \$1.99 billion in revenues, including \$66.11 million from the federal government for its labour market and development programs (see **Figure 1**). It spent \$272.9 million to deliver its programs and services (see **Figure 2**). Information about the Ministry's revenues and expenses appear in its *2012-13 Annual Report*.<sup>2</sup>

**Figure 1 – Revenues**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Oil	\$ 1,600.9	\$ 1,283.9
Crown Land Sales	220.0	89.1
Natural Gas	12.5	11.4
Potash	705.2	364.5
Other Minerals	123.8	139.4
Enterprise Saskatchewan	0.5	1.2
First Nations and Métis Relations	0.1	0.1
Transfers from federal government	62.1	66.1
Employment and Immigration – Other Revenue	1.9	5.4
Other Own-Source Revenue	<u>44.3</u>	<u>28.9</u>
<b>Total Revenues</b>	<b><u>\$ 2,771.3</u></b>	<b><u>\$ 1,990.0</u></b>

Source: Ministry of the Economy, *12-13 Annual Report*, p. 46

<sup>2</sup> See [www.economy.gov.sk.ca](http://www.economy.gov.sk.ca) (21 October 2013).

**Figure 2—Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 28.2	\$ 31.4
Revenue and Planning	30.5	29.4
Economic Development	3.3	9.1
Tourism Saskatchewan	16.5	16.5
Labour Market Development	160.8	156.8
Enterprise Saskatchewan	33.1	16.0
Petroleum and Natural Gas	9.3	9.8
Minerals, Lands and Policy	11.9	10.6
<b>Total Appropriation</b>	<b>293.6</b>	<b>279.6</b>
Capital Asset Acquisition	(7.9)	(6.9)
Capital Asset Amortization	2.8	0.2
<b>Total Expenses</b>	<b>\$ 278.5</b>	<b>\$ 272.9</b>

Source: Ministry of the Economy, *12-13 Annual Report*, p. 43-44

### 3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audit of Tourism Saskatchewan, our Office worked with MNP LLP, the appointed auditor. We followed the framework of the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup>

In our opinion, for the year ended March 31, 2013:

- › **Economy and its agencies had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Economy, its agencies, and its funds complied with the authorities, listed in Exhibit 5.1, governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- › **The financial statements of Economy's agencies and funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgements about the effectiveness of Economy's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Economy's and its agencies' rules and procedures to safeguard public resources included evaluating their financial controls for estimating and collecting revenues and administering spending. In addition, we evaluated their controls around significant IT systems and processes for collecting revenues and keeping reliable financial records.

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Prompt Removal of User Access Needed

We recommended that the Ministry of the Economy (formerly, Ministry of Energy and Resources) follow its established procedures for removing user access to its computer systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Not Implemented

During the year, we noted 10 instances where Economy had not removed unneeded user access on a timely basis. Economy needs to consistently follow its procedures for ensuring only authorized staff have access to its computer systems and data.

Unless it consistently follows its established procedures for promptly removing unneeded user access, Economy cannot ensure that only authorized individuals have access to its computer systems and data. As a result, Economy risks inappropriate access to confidential information and the loss of public money.

### 4.2 Shared Service Agreement Needed

Economy does not have an effective shared service agreement with the Ministry of Advanced Education for shared services with respect to the One Client Service Module, labour market-related statistical data and research, and client and administrative services for the Provincial Training Allowance.

The *Financial Administration Manual* section 3007.08, requires that shared service arrangements between ministries be supported by a memorandum of understanding. While a memorandum was signed between the ministries in June 2013, work continues on the memorandum to address governance and good business practices. A complete memorandum is necessary so that both ministries understand their respective roles and responsibilities.

- 1. We recommend that the Ministry of the Economy sign a complete memorandum of understanding with the Ministry of Advanced Education that defines all key roles and responsibilities for shared services.**

### 4.3 Disclosure Needed of the Environmental Liability for the Gunnar Uranium Mine and Mill Site

Economy does not properly disclose its liability for the cleanup of the Gunnar Uranium Mine and Mill Site (Gunnar Mine).

Economy is responsible for the cleanup of two northern uranium mines. In 2006, Economy and the federal government signed an agreement committing each party to pay 50% of the cleanup costs for the Gunnar Mine. In 2007, Economy signed an agreement with Encana Corporation<sup>4</sup> in which Economy accepted responsibility for the cleanup costs for the Lorado Mine and Mill Site (Lorado Mine) in return for a one-time payment of \$23 million.

The Gunnar Mine is located on Lake Athabasca near Uranium City. The Lorado Mine is located on Nero Lake and is also near Uranium City. These mines closed many years ago but they continue to pose significant concerns to the environment and to public health and safety.

Economy properly accounts for the cleanup costs for the Lorado mine. The remaining cleanup costs are estimated to be \$21 million and Economy recorded this amount in its financial information that was included in the Government of Saskatchewan's March 31, 2013 financial statements.

Although Economy has accepted responsibility for its share of the cleanup costs of the Gunnar Mine, it does not properly disclose its liability. As of March 31, 2013, the Ministry could not make a reasonable estimate of the cleanup costs. This is because the Canadian Nuclear Safety Commission has not yet approved the Gunnar Mine Environmental Impact Statement and the cleanup options are complex. When a reasonable estimate cannot be made, Public Sector Accounting Standards requires Economy to disclose information about the nature of the liability together with the reason(s) why a reasonable estimate cannot be made.<sup>5</sup> Economy did not disclose this information in its financial records (i.e., its *2012-13 Annual Report* and its General Revenue Fund accrual schedules). Such disclosure provides information about the potential effect on the Government's financial statements when the liability becomes measurable.

**2. We recommend that the Ministry of the Economy disclose its liability for the cleanup of the Gunnar Uranium Mine and Mill Site in accordance with Public Sector Accounting Standards.**

<sup>4</sup> Encana Corporation is a North American energy producer of natural gas, oil and natural gas liquids. The corporate headquarters are in Calgary, Alberta.

<sup>5</sup> Public Sector Accounting Standard: PS 3200.30 Liabilities.



## 4.4 Recording the Environmental Liability for Orphaned Wells and Facilities Needed

We recommended that the Ministry of the Economy estimate and record its liability for cleaning up orphaned wells and facilities in its financial records for inclusion in the Government's financial statements. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Economy is responsible for the cleanup of oil and gas wells and related facilities when well owners (licensees) cease to exist or can no longer be located. In our *2012 Report – Volume 2*, Chapter 31, we reported on the Ministry's three programs to manage the risks associated with the cleanup of orphaned wells and facilities. We made six recommendations including the recommendation for the Ministry to estimate and record its liability for the cleanup of orphaned wells and facilities.

For the fiscal year ended March 31, 2013, the Ministry did not estimate and record its liability for the cleanup of orphaned wells and facilities.

On October 30, 2013, the Ministry provided us with a position paper that states the liability for orphaned wells resides with the oil and gas industry and not with the Ministry. We will review this position paper and report on our findings in a future report.

## 5.0 EXHIBIT

### 5.1 Legislation—Summary of Relevant Authorities

<i>The Crown Minerals Act</i>	<i>The Oil and Gas Conservation Regulations, 1985</i>
<i>The Crown Oil and Gas Royalty Regulations</i>	<i>The Surface Rights Acquisition and Compensation Act</i>
<i>The Crown Corporations Act</i>	<i>The Pipelines Act, 1998</i>
<i>The Coal Disposition Regulations, 1988</i>	<i>The Reclaimed Industrial Sites Act</i>
<i>The Petroleum and Natural Gas Regulations, 1969</i>	<i>The Reclaimed Industrial Sites Regulations</i>
<i>The Mineral Disposition Regulations, 1986 (Crown Mineral Royalty Schedule)</i>	<i>The Forest Resources Management Act, Section 5</i>
<i>The Delayed Payment Charge Regulations, 1970</i>	<i>The Financial Administration Act, 1993</i>
<i>The Subsurface Mineral Regulations, 1960</i>	<i>The Government Organization Act</i>
<i>The Energy and Mines Act</i>	<i>The Purchasing Act</i>
<i>The Mineral Exploration Incentive Regulations</i>	<i>The Revenue and Financial Services Act</i>
<i>The Economic and Co-operative Development Act (Section 8(a) only)</i>	<i>The Tabling of Documents Act, 1991</i>
<i>The Freehold Oil and Gas Production Tax Act, 2010</i>	<i>The Petroleum Research Incentive Regulations</i>
<i>The Freehold Oil and Gas Production Tax Regulations, 1995</i>	<i>The Culture and Recreation Act, 1993</i>
<i>The Recovered Crude Oil Tax Regulations</i>	<i>The Human Resources, Labour and Employment Act</i>
<i>The Multiculturalism Act</i>	<i>The Labour-Sponsored Venture Capital Corporations Regulations</i>
<i>The Ethanol Fuel Act</i>	<i>The Ethanol Fuel (Grants) Regulations</i>
<i>The Labour-Sponsored Venture Capital Corporations Act</i>	<i>The Vocational Rehabilitation of Disabled Persons Program Regulations</i>
<i>The Renewable Diesel Act</i>	<i>The Tourism Saskatchewan Act</i>
<i>The Small Business Loans Association Program Regulations</i>	<i>The Enterprise Saskatchewan Act</i>
<i>The Mineral Resources Act, 1985</i>	<i>The Department of Agriculture, Food and Rural Revitalization Act</i>
<i>The Mineral Taxation Act, 1983</i>	<i>The Department of Rural Development Act</i>
<i>The Potash Production Tax Regulations</i>	<i>The Northern Saskatchewan Economic Development Act</i>
<i>The Freehold Coal Production Tax Regulations</i>	<i>The Rural Development Act</i>
<i>The Oil and Gas Conservation Act</i>	Orders in Council issued pursuant to the above Legislation

## Chapter 6 Education

### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Ministry of Education (Education), its funds, and plans.

Education, the Technology Supported Learning Fund, the School Division Tax Loss Compensation Fund, the Prince of Wales Scholarship Fund, the Teachers' Superannuation Plan, and the Teachers' Disability Plan complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The financial statements of the Teachers' Superannuation Plan and Education's funds for the years ended on or before June 30, 2013 are reliable.

Education, Teachers' Superannuation Plan, and Teachers' Disability Plan had effective rules and procedures to safeguard public resources except Education needs to:

- › Follow Canadian generally accepted accounting principles for the public sector when accounting for its decisions related to school capital projects and their financing
- › Enter into written agreements with school divisions for funding of school capital projects
- › Improve its information technology (IT) processes by preparing an IT strategic plan, signing a complete service level agreement with the Information Technology Office of the Ministry of Central Services (ITO),<sup>1</sup> monitoring the effectiveness of ITO's security controls over Education's computer systems and data, and promptly removing unneeded user access to its computer systems and data

### 2.0 INTRODUCTION

Education provides leadership and direction to early learning and child care, Kindergarten through Grade 12 education, literacy, and library sectors. Education supports the sectors through funding, governance, and accountability, with a focus on improving student achievement.<sup>2</sup>

For the year ended March 31, 2013, services were provided by 279.5 full-time equivalent positions.<sup>3</sup>

<sup>1</sup> Effective May 25, 2012, the Information Technology Office became a part of the Ministry of Central Services.

<sup>2</sup> Ministry of Education, *2012-13 Annual Report*, p. 5.

<sup>3</sup> *Ibid.*, p. 6.





## 2.1 Financial Overview

For the year ended March 31, 2013, Education spent \$1.65 billion on its programs and had revenues of \$12.5 million. Information about Education's revenues and expenditures appears in its *2012-13 Annual Report*.<sup>4</sup>

**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 15.6	\$ 17.3
K-12 Education	1,295.6	1,281.5
Early Years	62.9	58.6
Literacy	2.7	2.6
Provincial Library	12.0	12.0
Teachers' Pension and Benefits	<u>244.9</u>	<u>310.5</u>
<b>Total Appropriation</b>	<u>1,633.7</u>	<u>1,682.5</u>
Capital Asset Acquisitions	(38.6)	(30.4)
Capital Asset Amortization	1.0	1.4
<b>Total Expense</b>	<u>\$ 1,596.1*</u>	<u>\$ 1,653.5</u>

Source: Ministry of Education, *2012-13 Annual Report*, p. 20

\* The Ministry obtained an additional \$58.2 million authorized through the Saskatchewan Supplementary Estimates and statutory adjustments.

## 2.2 Related Special Purpose Funds and Agencies

At March 31, 2013, Education was responsible for 28 school divisions and the Teachers' Group Life Insurance Plan each with year-ends of August 31, and the following funds and plans:

	Year-end
<b>Funds</b>	
Technology Supported Learning Revolving Fund	March 31
School Division Tax Loss Compensation Fund	March 31
Prince of Wales Scholarship Fund	March 31
<b>Plans</b>	
Teachers' Superannuation Plan	June 30
Teachers' Disability Plan*	June 30
Teachers' Dental Plan	June 30

\* The Teachers' Disability Plan does not have separate financial statements

<sup>4</sup> [www.education.gov.sk.ca/Annual-Report](http://www.education.gov.sk.ca/Annual-Report) (30 October 2013).

Our *2013 Report – Volume 1* includes the audit results of the school divisions and Teachers' Group Life Insurance Plan for the year ended August 31, 2012. For our audit results of the Teachers' Dental Plan, see Chapter 25. This chapter includes the results of the remaining above-listed plans and funds (agencies).

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the years ended on or before June 30, 2013:

- › **Education and its agencies had effective rules and procedures to safeguard public resources except as reported in this chapter**
- › **Education and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<i>The Government Organization Act</i>	<i>The Teachers' Life Insurance (Government Contributory) Act</i>
<i>The Education Act, 1995</i>	<i>The Teachers' Superannuation and Disability Benefits Act</i>
<i>The Education Funding Regulations</i>	<i>The Teachers' Superannuation and Disability Benefits Regulations</i>
<i>The Education Regulations, 1986 (Sections 95.4 to 95.7)</i>	<i>The Teachers Dental Plan Act (Section 7)</i>
<i>The School Division Tax Loss Compensation Fund Administration Regulations</i>	<i>The Pension Benefits Act, 1992</i>
<i>The Child Care Act (Sections 21 and 22)</i>	<i>The Pension Benefits Regulations, 1993</i>
<i>The Child Care Regulations, 2001</i>	<i>The Tabling of Documents Act, 1991</i>
<i>The Financial Administration Act, 1993</i>	<i>The Crown Employment Contracts Act</i>
<i>The Public Libraries Act, 1996 (Sections 64 and 65)</i>	<i>Pension Benefits Standards Regulations, 1985 (Canada)</i>
<i>The Public Libraries Regulations, 1996</i>	<i>Income Tax Act (Canada) (Sections 147.1, 147.2, and 147.3)</i>
<i>The Public Service Act</i>	<i>Income Tax Regulations (Canada) (Sections 8501-8504, 8512, 8514, 8520)</i>
<i>The Public Works and Services Act (Sections 4 and 8)</i>	Orders in Council issued under the above legislation
<i>The Department of Social Services Act (Section 8)</i>	

- › **The financial statements for the Teachers' Superannuation Plan and the funds are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Education's and the plan's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing Education's rules and procedures to safeguard public resources includes assessing the design and effectiveness of Education's control activities relating to grants. Grants amount to approximately 97% of the total Ministry expenditures.

This chapter also provides the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).



## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Assets Constructed Under Shared Ownership Agreements Incorrectly Recorded

During 2012-13, Education entered into contractual agreements for certain capital projects with seven school divisions. It calls these shared ownership agreements. The Government argues that under these agreements, Education owns a portion of the facility being built. Education based its share of ownership on the proportion of funding it provided as compared to the expected overall cost of the project. Instead of recording its funding for these capital projects as capital transfers (expenses) as done prior to entering into these agreements and for other approved capital projects, Education recorded its funding of \$27.2 million as tangible capital assets of the General Revenue Fund (GRF). We disagreed with the accounting for these projects based on the following.

Under Canadian generally accepted accounting principles for the public sector (Canadian GAAP), to capitalize a tangible capital asset, an agency must control the risks and benefits of the asset.<sup>5</sup> The risks and benefits with respect to the ongoing use of the facilities being constructed that Education obtains from the agreements remain substantially unchanged from the risks and benefits derived from facilities currently solely owned by school divisions. These facilities are specifically designed to deliver educational services and their use is not easily changed. School divisions will use them in the delivery of their services. Education remains a major source of capital for such facilities and a major source of maintenance funding for them. Also, as noted in **Section 4.2**, it remains a source of funding to assist in the repayment of school divisions' borrowings related to capital projects.

The Government uses Education as its vehicle to exercise control over the school divisions that are party to these agreements. Given the relationship between Education and the school divisions, we do not think it is feasible to partition the benefits and risks associated with facilities built under these agreements to Education and the related school divisions. Furthermore, equating the extent of financial contribution of each party to the risks and rewards of ownership cannot be substantiated.

Education incorrectly recorded \$27.2 million as tangible capital assets and did not properly record this amount as capital transfers (i.e., expenses). Use of Canadian GAAP is necessary so that Education's financial records accurately reflect the costs of its programs and decisions.

<sup>5</sup> Risks of owning an asset would include being responsible for the costs of ownership (e.g., insurance coverage, maintenance, and the impact of asset not being able to provide services). Benefits of owning an asset include use of assets to provide services directly (e.g., using it to provide education services) or to generate revenue (e.g., rental income).

1. We recommend that the Ministry of Education follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements.

## 4.2 Capital Grants to School Divisions Not Properly Recorded

We recommended that the Ministry of Education properly record capital grants to school divisions in its financial records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

In our *2012 Report – Volume 2*, Chapter 5 and in our *2013 Report – Volume 1*, Chapter 8, we describe that Education had established a practice of providing school divisions with funding to enable them to repay the principal and interest due on loans for their capital projects. Instead of providing funding during the development of certain capital projects, Education decided to let the school divisions borrow money from financial institutions and to provide the school divisions with funding as the principal and interest on these loans comes due. School divisions rely on this source of funding to repay their loans, and Education has created an expectation or guarantee to the school divisions that it will provide them with sufficient funding to do so.

Canadian GAAP requires transactions to be accounted for based on their substance. As such, loans expected to be repaid through future government funding should be accounted for as a liability and expense in the year that the expectation or promise is made.

Education inappropriately accounts for these funding arrangements on a “pay-as-you-go” basis instead of on an accrual basis. At March 31, 2013, Education did not record liabilities of \$72 million in its financial records.

## 4.3 Capital Funding Agreements with School Divisions Needed

We recommended that the Ministry of Education enter into written agreements with school divisions setting out the terms and conditions of its capital grants that support the Ministry’s expenses. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Not Implemented



Education advised that it is working to implement funding agreements for all new major school capital projects beginning in 2013-14 (i.e., those costing more than \$1 million).

In 2012-13, Education communicated expectations about school capital using a variety of means. As reported in prior years, Education continued, for most capital projects, to use approval forms to communicate its funding decisions for school capital projects. As noted in **Section 4.1**, during 2012-13, Education signed shared ownership agreements with seven school divisions for certain capital projects. Also, it communicated expectations about school capital through letters to school divisions and discussions at sector conferences.

Formal funding agreements would help Education and school divisions have a clear understanding of the terms and conditions of capital funding and expectations about the management of capital projects.

## 4.4 Information Technology Controls Need Improvement

We recommended the Ministry of Education (formerly the Department of Learning) sign a service level agreement with the Information Technology Office of the Ministry of Central Services. (2006 Report – Volume 3; Public Accounts Committee agreement March 31, 2007)

**Status** – Partially Implemented

During 2011-12, Education signed a memorandum of understanding (MOU) with ITO identifying the roles and responsibilities for both parties. However, the MOU is not yet complete because Education and ITO are still working to define service, disaster recovery, and reporting requirements. Without an adequate service level agreement, Education's needs may not be met.

We recommended that the Ministry of Education (formerly the Department of Learning) follow its established procedures for user access to its systems and data. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – Partially Implemented

As in prior years, Education did not consistently follow its processes for promptly removing user access to its computer systems from individuals who are no longer in its employment. For example, we found 3 out of 16 individuals tested did not have their access removed promptly. If former employees do not have access removed on a timely basis, it increases the risk of inappropriate access to Education's computer systems and data.

We recommended the Ministry of Education monitor the effectiveness of the Information Technology Office of the Ministry of Central Services' security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Not Implemented

ITO provides Education with computers and network access, and acts as custodian for Education's information systems and data. To know that its information systems and data are secure, Education needs to monitor whether the security provided by ITO is adequate. As described above, Education has not yet agreed with ITO about the service, disaster recovery, and reporting requirements that ITO will provide. During the year, Education received reports from ITO using a standard template developed for all ministries. However, these reports do not contain sufficient information to enable Education to assess the effectiveness of ITO's security controls. Therefore, Education does not know if ITO is addressing Education's security and disaster recovery needs.

We recommended the Ministry of Education prepare an information technology strategic plan. (2009 Report – Volume 3; Public Accounts Committee agreement May 12, 2010)

**Status** – Partially Implemented

Education continues to work on developing an IT strategic plan. Education intends to complete the IT strategic plan by 2014.

Education needs an IT strategic plan to ensure its use of resources supports its strategic objectives by helping management ensure IT initiatives are appropriate to meet Education's strategic direction. It would also help management determine if it has addressed the threats and risks to Education's security.



## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Education – Instruction Time (2009 Report – Volume 3)</b>		
2011	4-3 that the Ministry of Education define “instruction time” to set clear expectations for delivery of the core curriculum.	<b>Partially Implemented</b> (as of September 30, 2011) We plan to follow up in 2014.
2011	4-4 that the Ministry of Education require school divisions to publicly report on their performance in meeting the Ministry’s instruction time requirements.	<b>Partially Implemented</b> (as of September 30, 2011) We plan to follow up in 2014.
2011	4-5 that the Ministry of Education monitor for all core curriculum areas of study the extent to which school divisions meet the Ministry’s requirements for instruction time.	<b>Partially Implemented</b> (as of September 30, 2011) We plan to follow up in 2014.
2011	4-6 that the Ministry of Education take corrective action where necessary to improve school division compliance with the Ministry’s requirements for instruction time.	<b>Not Implemented</b> (as of September 30, 2011) We plan to follow up in 2014.

## Chapter 7 Environment

### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Environment (Environment), its fund, and its agency for the year ended March 31, 2013.

Environment, its fund, and its agency complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013 financial statements of Environment's fund and agency are reliable.

Environment and its agency had effective rules and procedures to safeguard public resources except for the following matters.

Environment has made some progress in addressing our past recommendations. However, Environment still needs to establish effective processes to secure its information systems and complete its business continuity plan.

Two recommendations from our *2008 Report – Volume 1*, Chapter 4 on Regulating Contaminated Sites have been reiterated here because until Environment has improved its processes, neither Environment nor the Government of Saskatchewan is able to effectively record the associated liabilities for contaminated sites.

### 2.0 INTRODUCTION

Environment is responsible for working with Saskatchewan stakeholders to protect the province's water, air and natural resources to achieve a high environmental standard and to support sustainable development in the use of these resources.<sup>1</sup>

### 2.1 Financial Overview

For the year ended March 31, 2013, Environment spent \$169.1 million (2012 - \$200.2 million) (see **Figure 1**). Also, Environment recorded revenue of \$60 million (2012 - \$52 million) from licenses and permit fees for fishing, hunting, and forestry; non-refundable deposits on beverage containers; and fire suppression cost-sharing agreements. In addition, Environment raised revenue and incurred expenses through the Fish and Wildlife Development Fund and nine forest management funds.<sup>2</sup>

Information about Environment's revenues and expenditures appear in Environment's *2012-13 Annual Report*.<sup>3</sup>

<sup>1</sup> Saskatchewan Ministry of Finance, *2012-13 Saskatchewan Provincial Budget: Estimates*, p. 57.

<sup>2</sup> Operators who harvest timber in the province are required to pay fees into a forest management fund and dues to the Ministry of Environment based on harvest amounts. These funds are monitored by the Ministry of Environment.

<sup>3</sup> See [www.environment.gov.sk.ca/Annual-Report](http://www.environment.gov.sk.ca/Annual-Report) (30 October 2013).





**Figure 1 – Comparison of Estimates to Actual Spending by Program**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 16.7	\$ 16.4
Climate Change	5.4	2.4
Land	3.0	2.9
Environmental Support	14.1	13.5
Fish and Wildlife	9.1	9.3
Compliance and Field Services	16.7	16.4
Environmental Protection	42.7	42.4
Forest Services	12.8	11.9
Wildfire Management	64.6	59.2
<b>Total Appropriation</b>	<u>185.1</u>	<u>174.4</u>
Capital asset acquisitions	(14.3)	(13.7)
Capital asset amortization	7.7	8.4
<b>Total Expenses</b>	<u>\$ 178.5</u>	<u>\$ 169.1</u>

Source: 2012-13 Ministry of Environment Annual Report

## 2.2 Background

The authority for Environment is contained in *The Ministry of Environment Regulations, 2007* under *The Government Organization Act*. At March 31, 2013, Environment was responsible for the following fund and agency (each with a March 31 year-end): the Fish and Wildlife Development Fund and the Water Appeal Board.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- › **Environment and its agency had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Environment, its fund, and its agency complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<i>The Environmental Management and Protection Act, 2002</i>	<i>The Litter Control Designation Regulations</i>
<i>The Mineral Industry Environmental Protection Regulations, 1996</i>	<i>The Natural Resources Act The Prairie and Forest Fires Act, 1982</i>
<i>The Federal-Provincial Agreements Act</i>	<i>The Provincial Lands Act</i>
<i>The Financial Administration Act, 1993</i>	<i>The Provincial Land Regulations</i>
<i>The Fisheries Act (Saskatchewan), 1994</i>	<i>The Crown Resource Land Regulations</i>
<i>The Fisheries Regulations</i>	<i>The Public Service Act, 2004</i>
<i>The Forest Resources Management Act</i>	<i>The Purchasing Act, 2004</i>
<i>The Forest Resources Management Regulations</i>	<i>The Saskatchewan Watershed Authority Act, 2005</i>
<i>The Government Organization Act</i>	<i>The State of the Environment Report Act</i>
<i>The Ministry of Environment Regulations, 2007</i>	<i>The Water Appeal Board Act</i>
<i>The Litter Control Act</i>	<i>The Wildlife Act, 1998</i>
	<i>The Wildlife Regulations, 1981</i>
	Orders in Council issued pursuant to the above legislation

### › The financial statements of the fund and agency are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Environment and its agencies' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Compliance with Policies

We recommended that the Ministry of Environment comply with its policies for all purchases. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Environment has various operating policies and procedure manuals that provide guidance to its employees. The manuals provide direction to employees for initiating purchases and processing payments. The Ministry must ensure its employees understand the established policies and the importance of following them.

During the year, we noted that Environment employees followed the established policies and procedures that were in place.



## 4.2 IT Service Agreement Updated

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We recommended the Ministry of Environment sign an adequate agreement with the Information Technology Office for information technology services. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented

During 2012-13, Environment updated its existing service agreement with the Information Technology Office (ITO). The agreement now outlines all Environment's critical IT systems and their disaster recovery requirements. However, as noted in **Section 4.4**, testing has not been completed.

## 4.3 Processes to Secure Data Needed

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We recommended that the Ministry of Environment establish adequate processes to secure data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

For 2012-13, Environment continued to receive the same reports from ITO and use the same credit card system for the sale of their hunting and fishing licenses as in prior years.

To ensure the security of its computer systems, Environment needs to monitor whether the security ITO provides is adequate. Environment does not ask for or receive any assurance from ITO on the security or availability of its systems.

Environment accepts credit card payments for some fees, such as the Big Game Draw.<sup>4</sup> It is required to comply with industry standards (i.e., Payment Card Industry Standards) for credit cards as part of its agreement with its credit card service provider. Environment has processes in place surrounding Payment Card Industry (PCI) compliance; however, they are not adequate and do not comply with PCI standards. Lack of compliance with industry security standards increases the risk of unauthorized access to credit card information by others without ready detection. This could lead to loss of public money, loss of reputation, and loss of the ability to process payments by credit card.

Environment has established procedures for granting and removing user access to its computer systems and data. However, employees did not always follow its established procedures. For example, during the audit, we noted six instances where Environment did not remove network access to its systems and data for those who no longer needed such access.

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<sup>4</sup> The Big Game Draw is a method of allocating a limited number of hunting licences to Saskatchewan residents.

## 4.4 Complete Business Continuity Plan Needed

We recommended that the Ministry of Environment prepare a complete business continuity plan. (2006 Report – Volume 3; Public Accounts Committee agreement March 7, 2007)

**Status** – Partially Implemented

Environment provides a number of environmental programs and services to Saskatchewan residents as part of its mandate through the use of different computer systems. Environment has assessed certain programs and services, such as the Big Game Draw and Wildfire Management as being critical. Therefore, should a disaster occur, Environment's ability to deliver these programs and services should not be disrupted.

In January 2013, Environment incorporated its business continuity plan (BCP) into its service agreement with ITO, however testing of the BCP has not occurred, therefore the BCP cannot be considered complete.

## 4.5 Lacking Effective Identification, Management and Recording of Contaminated Sites

We recommended that the Ministry of Environment establish an adequate system for tracking contaminated sites. (2008 Report – Volume 1; Public Account Committee agreement June 16, 2008)

**Status** – Partially Implemented

We recommended that the Ministry of Environment complete its risk assessments for identified contaminated sites and rank them in terms of priority. (2008 Report – Volume 1; Public Account Committee agreement June 16, 2008)

**Status** – Partially Implemented

In our *2013 Report – Volume 1*, Chapter 10, our Office did an assessment of the Government's readiness to account for liabilities for contaminated sites by April 1, 2014 because of changing accounting standards. Where the existence of the Government's obligation to clean up a contaminated site is known and determinable, a government must account for the associated costs in its financial statements. Environment is responsible under law for protecting and managing the environment including designating an area as a contaminated site.



During 2013, Environment worked towards developing a database to track key information on contaminated sites. This database is intended to provide a complete and accurate inventory of contaminated sites including those that the provincial government is responsible for cleaning up. Once the database is developed, Environment needs to identify and rank this list of contaminated sites to determine which ones should be assessed and cleaned up first. Until this process is complete, neither Environment nor the Government of Saskatchewan is able to effectively record the associated liabilities for contaminated sites.

## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Environment (Regulating Air Emissions) (2003 Report – Volume 3)</b>		
2005	10-3 that the Ministry of Environment establish processes to ensure permits to regulate air emissions are properly approved and expired permits are followed up promptly.	<b>Partially Implemented</b> (as of September 30, 2012) We plan to follow up in the future.
2005	10-4 that the Ministry of Environment should set sound and consistent processes for monitoring compliance with permits to regulate air emissions and for handling air emission complaints.	<b>Partially Implemented</b> (as of September 30, 2012) We plan to follow up in the future.
<b>Ministry of Environment (Regulating Reforestation) (2009 Report – Volume 3)</b>		
2011	6-4 that the Ministry of Environment establish processes for setting reforestation terms and conditions and for approving forest product permits.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
2011	6-5 that the Ministry of Environment establish processes to set reforestation fees at a level to cover reforestation costs.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
2011	6-6 that the Ministry of Environment set a formal plan to ensure proper reforestation of the forest.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
2011	6-7 that the Ministry of Environment establish processes to monitor operators' compliance with reforestation requirements.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
2011	6-9 that the Ministry of Environment receive regular reports with adequate information to properly oversee and regulate reforestation.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.

PAC Report Year	Outstanding Recommendation	Status
2011	6-10 that the Ministry of Environment develop a communication strategy to inform stakeholders about the effectiveness of reforestation activities in the Province.	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
<b>Ministry of Environment (Contaminated Sites) (2008 Report – Volume 1)</b>		
2009	4-3 that the Ministry of Environment complete its written guidance for monitoring contaminated sites	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.
2009	4-4 that the Ministry of Environment prepare a communication plan for internal and external reporting on the status of contaminated sites	<b>Partially Implemented</b> (as of March 31, 2011) We plan to follow up in 2014.



## Chapter 8

### Executive Council

#### 1.0 MAIN POINTS

This chapter contains the results of our annual audit of the Office of the Executive Council (Office). The Office complied with authorities governing its activities related to financial reporting, safeguarding public resources, revenue raising, and spending.

The Office had effective rules and procedures to safeguard public resources and prepare financial reports except that it needs to follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) to budget and account for significant costs to develop information technology (IT) systems. Failure to comply with Canadian GAAP increases the risk that the Office's financial budgets and records are not complete or accurate.

#### 2.0 INTRODUCTION

*The Legislative Assembly and Executive Council Act, 2007* establishes the Office of the Executive Council. The Office:

- › Provides support to the Premier in the Premier's roles as head of the Government, Chair of the Cabinet, and head of the political party with the mandate to govern
- › Acts as secretariat to the Executive Council (Cabinet) and to any committee of the Executive Council that the Lieutenant Governor in Council may designate
- › Coordinates, under the direction of the Minister (Premier and President of the Executive Council) all matters involving relationships with other governments including trade policy
- › Administers Francophone Affairs and the Office of the Lieutenant Governor

The Office facilitates and communicates decisions of Executive Council by:

- › Providing research, analysis, and policy advice to Cabinet and Cabinet committees
- › Coordinating policy development and government communications by managing Cabinet records

#### 2.1 Financial Overview

For the year ended March 31, 2013, the Office had revenue related to a cost sharing agreement with the federal government of \$992,500.<sup>1</sup>

**Figure 1** lists the Office's major programs and spending and compares actual reported spending to budget by program.

<sup>1</sup> Office of the Executive Council's accounting records.





**Figure 1 – Comparison of Estimates to Actual by Major Program**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management Services	\$ 5.7	\$ 6.3
Premier's Office	0.6	0.5
Cabinet Planning	1.0	0.7
Cabinet Secretariat	0.5	0.6
Communications Office	1.7	1.7
House Business and Research	0.4	0.2
Members of the Executive Council (Statutory)	0.1	0.1
Intergovernmental Affairs	4.8	4.3
Francophone Affairs	1.1	1.0
Lieutenant Governor's Office	<u>0.7</u>	<u>0.7</u>
<b>Total Appropriation</b>	<u>\$ 16.6</u>	<u>\$ 16.1</u>
Capital Asset Acquisitions	(0.0)	(0.0)
Amortization of Capital Assets	<u>0.0</u>	<u>0.0</u>
<b>Total Expense</b>	<u>\$ 16.6</u>	<u>\$ 16.1</u>

Source: *Public Accounts 2012-13 Volume 2*

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- ▶ **The Office had effective rules and procedures to safeguard public resources except as described in this chapter**
- ▶ **The Office complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Legislative Assembly and Executive Council Act, 2007*  
*The Government Organization Act*  
*The Government Organization Exemption Regulations*  
*The Members of the Executive Council Expense Regulations, 1998*  
*The Financial Administration Act, 1993*  
*The Provincial Secretary's Act (clause 3(d.1))*  
*The Department of Agriculture, Food, and Rural Revitalization Act (Section 9.2)*  
 Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Office's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of the Office's financial-related controls used to administer its spending and revenues. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

## 4.0 KEY FINDING AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

### 4.1 Proper Accounting for System Development Costs Needed

Since 2010-11, the Office has not correctly budgeted or accounted for the costs incurred in the development of an IT system that it owns.

Canadian GAAP has standards on how to account for and report capital assets such as IT systems that are developed. Canadian GAAP requires significant system development costs incurred to develop a system that will be used for more than one year to be recorded as a capital asset.

In June 2011, the Office started the development of an IT system to modernize the Cabinet document process (DocShare) through its service provider, the Information Technology Office (ITO). The Office owns this new IT system.

At March 31, 2013, significant development had been accomplished at a total cost of \$3,021,360. At August 2013, this system was nearly complete and in use, with some development remaining. As shown in **Figure 2**, since 2011, various ministries and Crown agencies including the Office have helped pay for the costs of this system development (contributions); these costs were budgeted and accounted for as expenses.



**Figure 2—DocShare System Development Costs by Government Agency from April 1, 2010 to March 31, 2013**

Government Agency	2010-11	2011-12	2012-13	Total
Ministry of Central Services	\$ -	\$ 400,000	\$ 300,000	\$ 700,000
Information Technology Office*	-	100,000	100,000	200,000
Various Ministries	-	265,000	260,000	525,000
Crown Investments Corporation of Saskatchewan (CIC)	-	300,000	300,000	600,000
Liquor and Gaming Authority (SLGA)	-	20,000	20,000	40,000
Enterprise Saskatchewan	-	5,000	-	5,000
<b>Subtotal</b>	-	\$1,090,000	\$980,000	\$2,070,000
Office of the Executive Council	\$ 204,000	\$ 405,000	\$ 342,360	\$ 951,360
<b>Total Cost</b>	<b>\$ 204,000</b>	<b>\$1,495,000</b>	<b>\$1,322,360</b>	<b>\$3,021,360</b>

Source: Financial Information Compiled by the Office of the Executive Council

\* In May 2012, the ITO became part of the new Ministry of Central Services. These costs are not included in the Ministry of Central Services line item in this figure.

Since 2011, each year the Office has overstated its expenses for its portion of the costs, understated its revenues for the amounts contributed by other ministries and agencies, and understated its capital acquisitions by total cost for the amounts shown in **Figure 2**.<sup>2</sup> At March 31, 2013, the Office had not recorded in its financial records capital assets related to this system development totalling \$3,021,360. Since the financial activities of the Office are included in the Summary Financial Statements, these capital assets are also not recorded in the Summary Financial Statements for the year ended March 31, 2013.

Failure to comply with Canadian GAAP increases the risk that the Office's financial budgets and records are not complete or accurate.

- 1. We recommend that the Office of the Executive Council use Canadian generally accepted accounting principles for the public sector to budget and account for system development costs.**

<sup>2</sup> Since 2011, ITO has incorrectly included CIC and SLGA contributions toward the development of DocShare as revenues and expenses.

## Chapter 9

### Finance

#### 1.0 MAIN POINTS

This chapter reports the results of our annual audit of the Ministry of Finance (Finance) and six agencies with March 31 year-ends. Finance and these agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013 financial statements of these agencies are reliable. Finance and these agencies had effective rules and procedures to safeguard public resources except for the items noted below.

Finance receives and records corporate income tax revenue for the province. It also administers the corporate capital tax program including the resource surcharge revenues. Finance needs to finish developing and implement improved processes to record resource surcharge revenues so that revenue is recorded in the proper period. Also, it needs to estimate how much corporate income tax revenue could reasonably vary from the estimate it recorded to make its estimation process more robust.

Finance did not receive sufficient information to monitor its information technology (IT) systems. It continued to work with the Information Technology Office (ITO) to obtain better information. Also, Finance did not follow its processes to remove unneeded user access to its IT systems and data.

During the year, Finance set a market-based benchmark for its sinking fund investments to help it evaluate whether it earned an effective return on these investments. It reported the results of this evaluation to senior management, but had not yet publicly reported this information. It also had not yet completed the documentation of its treasury management procedures.

#### 2.0 INTRODUCTION

Finance helps the Government manage and account for public money. Its mandate is to provide options and advice to Treasury Board and Cabinet on managing and controlling the Government's finances. Its responsibilities include the following:

- › Administering and collecting provincial taxes
- › Arranging government financing, banking, investing, and borrowing
- › Administering certain public sector pension and benefit plans
- › Receiving revenues from taxation and transfers
- › Controlling spending from the General Revenue Fund (GRF)
- › Maintaining ministry-wide revenue and expense systems including the financial modules of the computerized Multi-Informational Database Applications system (called MIDAS Financials)



- › Providing information, advice, and analysis on:
- Government-wide fiscal and economic policies including tax policy alternatives and budgetary decisions relating to the GRF
  - Strategic policy on matters related to public sector compensation and management, and collective bargaining
  - Financial management and accounting
  - Annual performance planning, measuring, and reporting processes<sup>1</sup>

## 2.1 Special Purpose Funds and Agencies

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Finance administers and is responsible for the following special purpose funds and agencies. Each of the funds and agencies (except for the Growth and Financial Security Fund<sup>2</sup>) provides the Legislative Assembly with audited financial statements; some also provide an annual report.

### Year ended March 31

General Revenue Fund

Growth and Financial Security Fund

Judges of the Provincial Court Superannuation Plan

Public Employees Benefits Agency Revolving Fund

Public Employees Pension Plan

Public Service Superannuation Plan

Saskatchewan Pension Annuity Fund

Saskatchewan Watershed Authority Retirement Allowance Plan

### Year ended December 31

Extended Health Care Plan

Extended Health Care Plan for Certain Other Employees

Extended Health Care Plan for Certain Other Retired Employees

Extended Health Care Plan for Retired Employees

Municipal Employees' Pension Commission

Municipal Financing Corporation of Saskatchewan

Public Employees Deferred Salary Leave Fund

Public Employees Dental Fund

Public Employees Disability Income Fund

Public Employees Group Life Insurance Fund

Saskatchewan Government Insurance Service Recognition Plan

Saskatchewan Pension Plan

Saskatchewan Power Corporation Designated Employee Benefit Plan

Saskatchewan Power Corporation Pre-1996 Severance Plan

Saskatchewan Water Corporation Retirement Allowance Plan

SaskEnergy Retiring Allowance Plan

SaskPower Supplementary Superannuation Plan

See Chapter 1 for the results of our audit of the GRF. This chapter includes the results of other agencies with a March 31 year-end (agencies).

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<sup>1</sup> Ministry of Finance, *2012-13 Annual Report*, (2013).

<sup>2</sup> This Fund does not prepare financial statements and is not legally required to do so. Our Office audits the activities of this Fund in conjunction with the audit of the General Revenue Fund.

## 2.2 Financial Overview

For the year ended March 31, 2013, Finance administered revenues of \$8.7 billion (2012 - \$8.0 billion), spent approximately \$0.9 billion (2012 - \$0.8 billion), and managed gross public debt of \$11.3 billion (2012 - \$10.9 billion) and investments in sinking funds of \$1.8 billion (2012 - \$2.6 billion).<sup>3</sup> **Figure 1** compares actual revenue to budget by major type of revenue, **Figure 2** compares actual spending to budget by program, and **Figure 3** compares actual spending to budget by object.

Finance's annual report explains significant differences between actual and budgeted revenues and expenses.<sup>4</sup>

**Figure 1 – Comparison of Estimates to Actual by Major Type of Revenue**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Taxation	\$ 5,314.4	\$ 5,598.0
Non-renewable resources–resource surcharge	485.9	627.7
Transfers from government entities	618.1	859.0
Other own-source revenue	314.5	352.4
Transfers from the federal government	<u>1,276.8</u>	<u>1,311.0</u>
<b>Total</b>	<b>\$ <u>8,009.7</u></b>	<b>\$ <u>8,748.1</u></b>

Source: Saskatchewan Provincial Budget 12-13 Estimates (votes 12 and 18); Ministry of Finance 2012-13 financial records.

**Figure 2 – Comparison of Estimates to Actual Spending by Major Program**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Public service pension and benefits	\$ 283.5	\$ 461.8*
Revenue division	26.2	26.6
Research and development tax credit	15.0	24.9
Provincial comptroller	12.3	11.1
Central management and services	6.4	6.3
Budget analysis	5.0	5.0
Treasury and debt management	2.3	1.9
Personnel policy secretariat	0.5	0.4
Miscellaneous	<u>0.1</u>	<u>0.2</u>
<b>Total Appropriation – Vote 18</b>	<b>351.3</b>	<b>538.2</b>
Capital asset acquisitions	(0.6)	(1.6)
Amortization of capital assets	1.2	1.4
<b>Total expense – Vote 18</b>	<b><u>351.9</u></b>	<b><u>538.0</u></b>
Debt servicing appropriation and expense – Vote 12	<u>400.0</u>	<u>390.8</u>
<b>Total expense – Finance</b>	<b>\$ <u>751.9</u></b>	<b>\$ <u>928.8</u></b>

Source: Saskatchewan Provincial Budget 12-13 Estimates (votes 12 and 18); Ministry of Finance 2012-13 financial records. *Public Accounts 2012-13 Volume 2 Details of Revenue and Expense*

\* Finance determines the estimated and actual expenses for public service pension and benefits using the cash basis of accounting instead of the accrual basis. The cash-based amount reported in Finance's annual report was \$285.3 million. Using the accrual basis of accounting for the year ended March 31, 2013, the actual expense was \$461.8 million (restated to include \$176.5 million of unrecorded pension costs of the Public Service Superannuation Plan).

<sup>3</sup> Government of Saskatchewan, *2012-13 Public Accounts, Volume 1*, (2013), p. 112.

<sup>4</sup> Ministry of Finance, *2012-13 Annual Report*, (2013).



**Figure 3—Comparison of Estimates to Actual Spending by Object**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Debt servicing	\$ 400.0	\$ 390.8
Salaries and benefits (includes pensions)	307.5	483.5
Transfers – operating	15.0	24.9
Goods and services	28.3	28.2
Capital asset amortization	1.1	1.4
<b>Total Expense</b>	<b>\$ 751.9</b>	<b>\$ 928.8</b>

Source: Saskatchewan Provincial Budget 12-13 Estimates (votes 12 and 18); Ministry of Finance 2012-13 financial records.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

To complete our audit of the Public Employees Pension Plan, our Office worked with Deloitte LLP, the appointed auditor. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>5</sup>

**In our opinion, for the year ended March 31, 2013:**

- › **Finance and its agencies had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- › **Finance and its agencies complied with the authorities set out in Section 5.2 governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- › **Each agency had reliable financial statements**

To do our work, we used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Finance’s controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization’s objectives.

In our 2012-13 audit, we examined the effectiveness of Finance’s financial-related controls used to administer the revenue listed in **Figure 1** and spending listed in **Figures 2 and 3**. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

Because final tax assessments or valuation of resource sales may differ from initial assessment or valuation upon which tax installments are made, Finance estimates its income tax and resource surcharge resource revenues. In our audit, we assessed the processes that Finance uses to assess, estimate, collect, and record its revenues. Because Finance administers the GRF’s bank accounts, short and long-term debt and short and long-term investments (including investments in sinking funds), we assessed Finance’s processes to record and manage cash, including its bank reconciliation

<sup>5</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

procedures and the opening and closing of bank accounts. In addition, we examined Finance's processes to buy and sell investments and to obtain and repay debt.

The law requires us to report when a special warrant approved the payment of public money. For the year ended March 31, 2013, the Government approved, through Orders in Council (special warrants), spending of \$142.0 million; the Legislative Assembly later approved these amounts through appropriation acts.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations. We made no new recommendations in 2012-13.

### 4.1 Implementation of Past Finance-Related Recommendations Needed

**Figure 4** sets out our past financial-related recommendations. For each recommendation, we note when or if the recommendation was agreed to by the Standing Committee on Public Accounts (PAC), the status of its implementation at March 31, 2013, and highlight key actions the Ministry took to implement the recommendation during 2012-13.

**Figure 4—Status of Past Recommendations**

Past Recommendation (Initial PAS* Report, Date of Agreement of PAC)	Status of Recommendation	Key Actions Taken in 2012-13 to Implement Recommendation
We recommended that the Ministry of Finance revise its processes to estimate and record corporate income tax revenues so that it only records revenue that it has earned. (2012 Report – Volume 2 – Chapter 9; Not yet considered by PAC)	<b>Not Implemented</b>	<p>None in 2012-13.</p> <p>Finance continues to use corporate income tax (CIT) installments received from the federal government as the basis to record corporate income tax (CIT) revenue.</p> <p>Also, the 2013 tax year was the first year Finance received corporate income tax (CIT) installments from the federal government under a revised payment schedule. In our opinion, the revised payment schedule increases the risk that CIT revenue may not be recorded in the year that it is earned.</p> <p>Finance recognizes that the amount of CIT revenue it records for a given taxation year could materially differ from the final tax assessments for that year (which are completed a year later), but it has not quantified the extent or direction of that difference. It notes that the primary factors that create variances in CIT revenue forecasts are the use of federal estimates of the national corporate taxable income (CTI) base, the volatility in Saskatchewan's share of the national CTI base, and in tax credits claimed from year to year. Volatility in Saskatchewan's share of the national CTI base primarily results from profit variability of a small number of very large corporate taxpayers in the resource sector, arising</p>





Past Recommendation (Initial PAS* Report, Date of Agreement of PAC)	Status of Recommendation	Key Actions Taken in 2012-13 to Implement Recommendation
		<p>from commodity price fluctuation, the timing of sales contracts, and capital investment intentions.</p> <p>Determining the extent and direction of potential differences would help Finance confirm whether CIT installments received from the federal government reflect the best estimate of CIT revenue earned and be consistent with its own reporting requirements.<sup>6</sup></p> <p>As part of the Finance and GRF audits, we assessed the CIT amount recorded as 2012-13 revenue as reasonable based on information available at the completion of our audit of the GRF 2012-13 financial statements.</p>
<p>We recommended that the Ministry of Finance establish a process to better estimate resource surcharge revenue earned during each quarter and record this estimate each quarter. (2011 Report – Volume 2 – Chapter 9; Not yet considered by PAC)</p>	<p><b>Partially Implemented</b></p>	<p>Finance continued its development of a more accurate reporting model by collecting and analyzing prior year data. The development of this model was not complete at March 31, 2013.</p>
<p>We recommended that the Ministry of Finance confirm, in writing, processes and policies that the Information Technology Office (ITO) uses to address its specific information technology security and disaster recovery requirements, and then identify and set up additional policies unique to the Ministry of Finance as necessary. (2006 Report – Volume 3 – Chapter 15; PAC agreement March 13, 2007)</p>	<p><b>Partially Implemented</b></p>	<p>Finance and ITO have a memorandum of understanding (MOU) in place at March 31, 2013 regarding IT services being provided by ITO. The MOU included some information on IT security requirements. The MOU also included Finance’s specific disaster recovery requirements.</p> <p>In 2012-13, ITO did not perform any disaster recovery test exercises on Finance’s systems hosted by ITO. Also, ITO does not yet have a complete and tested disaster recovery plan. Thus, ITO is not able to conclude that it would be able to fully recover Finance’s systems and data in the time required in the event of a disaster. Finance has not yet determined how it plans to respond to this risk.</p> <p>During 2012-13, disaster recovery test exercises were completed by Finance’s service providers for its MIDAS and RS-50 systems. ITO participated in one of these disaster recovery exercises. These test exercises did not include Finance’s systems hosted by ITO.</p> <p>During 2013-14, Finance plans to amend its MOU with ITO.</p>
<p>We recommended that the Ministry of Finance require the Information Technology Office (ITO) to give it, each year, information on the adequacy of ITO’s controls for keeping Finance’s computer systems and data secure and available. (2010 Report – Volume 2 – Chapter 8; PAC agreement May 18, 2011)</p>	<p><b>Partially Implemented</b></p>	<p>Under its MOU with ITO, Finance expects to receive from ITO reports about the security and availability of its systems and data. Finance continues not to receive all of the requested reports consistently. The reports received do not provide it with sufficient information on ITO’s controls for keeping Finance’s systems and data secure and</p>

<sup>6</sup> Financial Administration Manual, Appendix I, set outs the General Revenue Fund Year End Reporting Requirements and Procedures. These guidelines require ministries to provide information on items where the amount recognized or disclosed is based on an estimate that could vary by \$10,000,000 or more before March 31, 2013. This required information includes “the range of reasonably possible amounts.”

Past Recommendation (Initial PAS* Report, Date of Agreement of PAC)	Status of Recommendation	Key Actions Taken in 2012-13 to Implement Recommendation
		<p>available. Without sufficient information, Finance cannot determine the impact of security weaknesses on its systems and data and take corrective action where necessary.</p> <p>In Chapter 11 of our <i>2013 Report – Volume 1</i>, we report continued control weaknesses at ITO that pose increased risk of loss, disclosure, or unauthorized modification of systems and data.</p>
We recommended that the Ministry of Finance follow its processes for removing unneeded user access to its information technology systems and data promptly. (2010 Report – Volume 2 – Chapter 8; PAC agreement May 18, 2011)	<b>Partially Implemented</b>	<p>Even though Finance received and reviewed bi-weekly reports that identified inactive system users to help identify and remove employees who no longer required system access, it continued to have instances where it did not request prompt removal of unneeded employee user access to its IT systems. During the audit, we identified 13 such instances (ITO network-4, MIDAS-3, RS-50-6).</p> <p>Finance has indicated that it plans to develop a new user access removal process in 2013-14 so that user access of staff no longer in its employ is removed promptly.</p>
We recommended that the Ministry of Finance set out its investment expectations in sufficient detail to make possible the measurement and evaluation of its investment performance. (2009 Report – Volume 1 – Chapter 5; PAC agreement June 25, 2010)	<b>Implemented</b>	Finance set market-based benchmarks using the DEX Mid-Term Government Bond index to enable it to assess the reasonableness of return earned on its sinking fund investments. Its first, second and fourth quarter reports to senior management and Treasury Board included comparisons of actual return to the DEX index along with reasons for variances.
We recommended the Ministry of Finance monitor and report publicly on the performance of the investments in its sinking funds. (2009 Report – Volume 1 – Chapter 5; PAC agreement June 25, 2010)	<b>Partially Implemented</b>	See above for improvements in internally monitoring the performance of its investments in sinking funds. However, Finance does not yet report publicly on this performance (e.g., provide comparison of actual returns to planned returns).
We recommended the Ministry of Finance document its key treasury management procedures in sufficient detail so it can continue to operate effectively after staff turnover. (2009 Report – Volume 1 – Chapter 5; PAC agreement June 25, 2010)	<b>Partially Implemented</b>	Finance worked on plans to implement a new debt management IT system in 2013-14. It expects to document its treasury debt management procedures in conjunction with the adoption of this system.

\* PAS – Provincial Auditor of Saskatchewan



## 5.0 EXHIBITS

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Finance (IT Governance) (2009 Report – Volume 3)</b>		
2011	7-3 that the Ministry of Finance develop an information technology risk management plan based on an analysis of information technology risks.	<b>Partially Implemented</b> (as of March 14, 2013) We plan to do a follow-up in the future.
2011	7-4 that the Ministry of Finance implement a strategic information technology plan that aligns with its strategic business objectives.	<b>Partially Implemented</b> (as of March 14, 2013) We plan to do a follow-up in the future.
<b>Public Employees' Benefits Agency (IT Security) (2010 Report – Volume 2)</b>		
2011	8-6 that the Public Employees Benefits Agency periodically test the effectiveness of its information technology security.	<b>Partially Implemented</b> (as of March 31, 2010) We plan to do a follow-up in 2013-14.

## 5.2 Legislation

### Exhibit 2—Summary of Relevant Authorities

#### Finance:

*The Government Organization Act*  
*The Ministry of Finance Regulations, 2007*  
*The Corporation Capital Tax Act*  
*The Corporation Capital Tax Regulations, 1984*  
*The Federal-Provincial Agreements Act*  
*The Financial Administration Act, 1993*  
*The Fuel Tax Act, 2000*  
*The Fuel Tax Regulations, 2000*  
*The Growth and Financial Security Act*  
*The Income Tax Act, 2000*  
*The Insurance Premiums Tax Act*  
*The Liquor Consumption Tax Act*  
*The Motor Vehicle Insurance Premiums Tax Act*  
*The Provincial Sales Tax Act*  
*The Provincial Sales Tax Regulations*  
*The Revenue and Financial Services Act*  
*The Revenue Collection Administration Regulations*  
*The Tobacco Tax Act, 1998*  
*The Tobacco Tax Regulations, 1998*  
 Orders in Council issued pursuant to the above legislation

#### Public Employees Pension Plan:

*The Public Employees Pension Plan Act*  
*The Public Employees Pension Plan Regulations*  
*The Superannuation (Supplementary Provisions) Act*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations, 1985 (Canada)*  
*The Income Tax Act (Canada) sections 147.1, 147.2, and 147.3*  
*The Income Tax Regulations (Canada) sections: 8501-8505, 8512, 8514*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Saskatchewan Pension Annuity Fund:

*The Saskatchewan Pension Annuity Fund Act*  
*The Saskatchewan Pension Annuity Fund Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Pension Benefits Standards Regulations (Canada) 1985*  
*The Financial Administration Act, 1993*  
*The Trustee Act, 2009*  
 Orders in Council issued pursuant to the above legislation

#### Judges of the Provincial Court Superannuation Plan:

*The Financial Administration Act, 1993*  
*The Pension Benefits Standards Regulations (Canada), 1985 (Schedule III)*  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Provincial Court Pension Plan Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*The Income Tax Act (Canada) sections 147.1, 147.2, and 147.3*  
*The Income Tax Regulations (Canada): 8501-8504, 8512, 8514, and 8520*  
*The Superannuation (Supplementary Provisions) Act, section 36.2*  
 Orders in Council issued pursuant to the above legislation

#### Public Employees Benefits Agency Revolving Fund:

*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Public Service Superannuation Plan:

*The Public Service Superannuation Act*  
*The Superannuation (Supplementary Provisions) Act*  
*The Superannuation Acts Uniform Regulations*  
*The Pension Benefits Standards Regulations (Canada), 1985 (Schedule II)*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993, section 38*  
*The Financial Administration Act, 1993, section 64*  
*The Income Tax Act (Canada) sections 147.1, 147.2, and 147.3*  
*The Income Tax Act Regulations (Canada) sections 8501-8504, 8512, 8514, and 8520*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

#### Saskatchewan Watershed Authority Retirement Allowance Plan:

*The Financial Administration Act, 1993, sections 64 and 65*  
 Orders in Council issued pursuant to the above legislation  
 Saskatchewan Watershed Authority Retirement Allowance Plan Document



## Chapter 10

### Government Relations

#### 1.0 MAIN POINTS

This chapter reports the results of our 2012-13 audit of the Ministry of Government Relations (Ministry). The Ministry complied with authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

During 2012-13, the Ministry had effective rules and procedures to safeguard public resources except for the matters described below.

The Ministry needs to keep clear documentation of the estimation methods, supporting data, and key assumptions it uses in making its significant accounting estimates of revenue from the federal government for reimbursement of disaster-related costs. The Ministry also needs to implement a formal process to regularly review estimates relating to unpaid claims under the Provincial Disaster Assistance Program (PDAP).

The Ministry must improve its monitoring of service contracts for emergency management services. It needs to develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors. Also, the Ministry needs to clearly document the services it expects to receive from these contractors and monitor that the contractors are performing as expected.

In order to protect its computer systems and data, the Ministry must consistently remove unneeded user access to its computer systems and data promptly.

#### 2.0 INTRODUCTION

Effective May 25, 2012, the Ministry became responsible for municipal relations, public safety, and First Nations, Métis, and northern affairs.<sup>1,2</sup>

The Ministry is responsible for coordinating, developing, promoting, and implementing policies and programs related to cities, municipalities (urban, rural, northern), and matters of an inter-municipal nature. This includes policies and programs related to:

- › Community planning, development, and diversification of cities and municipalities
- › Joint ventures related to municipalities
- › Administrative and technical advice provided to administrators/councils to support the effective and efficient operation of municipal governments

<sup>1</sup> Effective May 25, 2012 (Order in Council 277/2012), the Government created the Ministry of Government Relations by combining the former Ministry of Municipal Affairs, Ministry of First Nations and Métis Relations and part of the Ministry of Corrections, Public Safety and Policing.

<sup>2</sup> [www.gr.gov.sk.ca](http://www.gr.gov.sk.ca) (19 August 2013).



- › Community facilities
- › Local government elections

Also, the Ministry is responsible for coordinating, developing, promoting and implementing policies:

- › With respect to matters affecting First Nations and Métis peoples
- › To foster and advance development in northern Saskatchewan
- › For emergency management, disaster assistance, fire commissioner services, and building accessibility and other safety standards
- › For public safety (e.g., safety standards for boilers, pressure vessels, gas equipment and installations, electrical equipment and installations, elevators and amusement rides, and licensing and regulating of related persons)<sup>3</sup>

## 2.1 Financial Overview

For the year ended March 31, 2013, the Ministry had revenues of \$179.6 million (including \$154.7 million from the federal government) and expenses of \$592.6 million.

The following is a list of the Ministry's major programs and spending. **Figure 1** compares actual spending to budget by program. For further details and variance explanations, see the Ministry's *2012-13 Annual Report* available on its website at [www.gr.gov.sk.ca](http://www.gr.gov.sk.ca).

**Figure 1 – Comparison of Estimates to Actual by Major Program**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management Services	\$ 11.0	\$ 10.3
First Nations and Métis Engagement	75.0	91.1
Municipal and Northern Engagement	380.7	367.7
Saskatchewan Municipal Board	1.4	1.4
Public Safety	<u>9.1</u>	<u>121.1</u>
<b>Total Appropriation</b>	<b><u>\$ 477.2</u></b>	<b><u>\$ 591.6</u></b>
Capital Asset Acquisitions	(1.4)	(1.3)
Amortization of Capital Assets	<u>2.7</u>	<u>2.3</u>
<b>Total Expense</b>	<b><u>\$ 478.5*</u></b>	<b><u>\$ 592.6</u></b>

Source: *Ministry of Government Relations 2012-13 Annual Report*

\* The Ministry obtained additional funds of \$120.7 million authorized through the Saskatchewan Supplementary Estimates and special warrants.

<sup>3</sup> *The Ministry of Government Relations Regulations.*

### 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › **The Ministry had effective rules and procedures to safeguard public resources except as described in this chapter**
- › **The Ministry complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Assessment Management Agency Act*  
*The Assessment Management Agency Regulations*  
*The Cities Act*  
*The Crown Employment Contracts Act*  
*The Department of Rural Development Act*  
*The Department of Urban Affairs Act*  
*The Federal-Provincial Agreements Act*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Government Organization Exemption Regulations*  
*The Ministry of Government Relations Regulations*  
*The Indian and Native Affairs Act*  
*The Métis Act*  
*The Municipalities Act*

*The Municipal Board Act*  
*The Municipal Grants Act*  
*The Municipal Grants Regulations*  
*The Northern Municipalities Act, 2010*  
*The Provincial Disaster Assistance Program Regulations, 2011*  
*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The Saskatchewan Gaming Corporation Act (Parts III.01 and III.1)*  
*The Saskatchewan Natural Resources Transfer Agreement (Treaty Land Entitlement) Act*  
 2002 Gaming Framework Agreement  
 Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of the Ministry's financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its contractual obligations. Also, we examined the effectiveness of the controls it uses to keep reliable financial records and prepare reliable financial reports.

Because the Ministry receives significant federal funding for various municipal programs and provides significant grants to municipalities, we paid particular attention to the Ministry's controls for managing grant payments to municipalities. This included assessing its processes for awarding grants, approving grant payments, and monitoring municipalities' compliance with federal and provincial funding agreements. Also, because the Ministry provides financial assistance to individuals and organizations for provincial disaster claims and expects to receive significant reimbursements from the federal government for a portion of the amount it pays, we examined the Ministry's controls over managing disaster claims and recovering amounts from the federal government. This included processes for making and recording significant accounting estimates for provincial disaster assistance claims and for recoveries from the federal government.





## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Regular Review of Estimated Unpaid PDAP Claims from Prior Years Needed

The Ministry did not have a formal, documented process to regularly review its estimate of amounts owing related to prior year claims under the Provincial Disaster Assistance Program (PDAP) and adjust the estimated amounts where necessary.

Under PDAP, the Ministry provides financial assistance to help residents, small businesses, agricultural operations, communal organizations, non-profit organizations, parks, and communities recover from the effects of natural disasters, including flooding, tornadoes, plow winds, and other severe weather.<sup>4</sup> When the Ministry receives a PDAP claim from individuals or organizations, it assesses the claim for eligibility using provincial eligibility criteria. It also considers the type and severity of damage, historical estimates, claimant deductibles, and reports from professional adjusters, engineers, and/or appraisers to estimate the amounts it expects to pay. As noted in **Figure 2**, at March 31, 2013, the Ministry estimated that it owed \$85.5 million (2012 – \$70.7 million) for unpaid PDAP claims. Of the \$85.5 million, about \$73 million related to unpaid PDAP claims for prior years. The actual amounts paid can vary from the estimated amount depending on the final information received.

**Figure 2—Provincial Disaster Assistance Program Claim Experience from 2007**

Claim Year	Total # of PDAP claims	# of PDAP Claims by Claim Year that Remained Unpaid at March 31, 2013	Estimated PDAP Claims Payable by Claim Year at March 31, 2013 (in millions)
2012	929	516	\$ 8.9
2011	8,663	1,422	63.6
2010	6,418	153	12.1
2009	14	-	-
2008	473	-	-
2007	<u>1,790</u>	<u>6</u>	<u>0.9</u>
<b>Total</b>	<u>18,287</u>	<u>2,097</u>	<u>\$ 85.5</u>

Source: Saskatchewan Legislative Assembly Votes and Proceedings (Minutes) April 10, 2013 and Ministry of Government Relations' financial records

Preparing financial information consistent with generally accepted accounting principles requires management to make estimates when not all information is known. Accounting estimates inherently involve making assumptions. Assumptions must reflect information currently available along with conditions that management expects to exist and courses of action it expects to take. Accounting estimates require regular reviews to confirm they

<sup>4</sup> [www.gr.gov.sk.ca/PDAP](http://www.gr.gov.sk.ca/PDAP) (19 August 2013).

remain reasonable (i.e., at least annually) and must be revised when circumstances change or new information becomes available. Management must maintain clear documentation (e.g., of the estimation method used, supporting data, and key assumptions) to demonstrate the basis and reasonableness of the estimate. Also, clear documentation facilitates efficient future revisions.

During 2012-13, the Ministry reviewed its estimate of amounts owing under PDAP related to prior fiscal years. This review resulted in the Ministry reducing its estimate by about \$20 million. This was the first time such a comprehensive review was completed for amounts owing related to prior year claims under PDAP. The Ministry does not have a process to require similar reviews of prior year claims in the future.

Not having a formal process to regularly review these estimates increases the risk of inaccurate estimates (e.g., at each financial reporting period). Inaccurate estimates can result in incorrect financial information being used for decision making.

- 1. We recommend that the Ministry of Government Relations establish a formal process to regularly review its prior year estimates of amounts owing under the Provincial Disaster Assistance Program.**

Management indicated that it is developing a formal process for regular review of PDAP estimates.

## **4.2 Better Support for Estimates of Revenue from the Federal Government for Disaster-Related Costs and Flood Mitigation Needed**

The Ministry did not clearly document the basis for its estimates of revenue from the federal government for Disaster Financial Assistance Arrangements (DFAA) and one-time Flood Mitigation program.

As noted in **Section 4.1**, management must maintain clear documentation to demonstrate the reasonableness of estimates. This documentation should include the estimation method used as well as any relevant supporting data and key assumptions.

The Ministry seeks reimbursement of eligible PDAP costs from the federal government under DFAA. While the federal eligibility criteria for reimbursement under the DFAA are similar to the provincial PDAP criteria, some differences exist. For example, the provincial criteria allow for higher labour rates than the federal criteria. Also, the federal government may not designate all areas that received financial assistance under PDAP as a disaster area. As a result of these differences, for each PDAP claim it has paid, the Ministry must determine costs eligible for reimbursement based on federal eligibility criteria. In accordance with DFAA guidelines, the Ministry cannot submit a final claim until all provincial disaster claims (which include PDAP claims and other provincial government claims such as Ministry of Highways claims) are finalized and paid. The Ministry may submit an interim request for an advance reimbursement to the federal government. The amount that is paid is determined by the federal government.



While the Ministry has a process to assess whether costs are eligible for reimbursement from the federal government, it did not make these assessments on a timely basis. In 2011, the Ministry assigned additional staff to focus on completing DFAA assessments. We expected the Ministry to complete its DFAA assessments within six months of provincial disaster claims (which include PDAP claims and other provincial government claims such as Ministry of Highways claims) being finalized and paid. This would help ensure requests for reimbursement from the federal government are submitted as timely as possible and allow the Ministry to meet the federal government deadline for submitting requests for reimbursements.<sup>5</sup>

The Ministry has completed its reassessment of PDAP claims for federal eligibility for the 2005, 2006, and 2007 claim years.<sup>6</sup> At March 31, 2013, it had carried out limited work on claims related to the 2010 and 2011 claim years, and no work on claims related to the 2012 claim year.<sup>7</sup> By March 31, 2013, the Ministry had submitted requests for reimbursement to the federal government for the 2005 and 2006 claim years, and an interim request for the 2007 claim year.

As shown in **Figure 3**, at March 31, 2013, the Ministry expected to receive and had recorded a receivable from the federal government of \$355.5 million for the 2005 – 2011 claim years. At September 2013, the Ministry had received about \$33 million from the federal government for certain claim years.<sup>8</sup>

**Figure 3—Estimated reimbursement from the Federal Government under the Disaster Financial Assistance Arrangement from 2005-2012 Claim Years**

	Claim Year								Total
	2012	2011	2010	2009	2008	2007	2006	2005	
Estimated Recovery of All Provincial Government Agencies' Costs that are Eligible for DFAA at March 31, 2013* (in millions)	\$ -	206.7	63.1	-	-	73.7	6.6	5.4	<u>\$ 355.5</u>

Source: Ministry of Government Relations' financial records

\*Note this does not include costs of the separate, one-time Flood Mitigation program

Because the Ministry did not complete its determination of eligibility for federal reimbursement under DFAA in a timely manner, it must make additional assumptions to estimate and record related revenues from the federal government. This increases the risk that the revenue recorded each year may not be accurate. We identified three areas related to the Ministry's revenue estimation process that need improvement.

### **Need to Obtain Supporting Information from Other Government Agencies**

The Ministry is responsible for the preparation and submission of the claim for disaster-related costs from the federal government and the accuracy of those claims.

<sup>5</sup> Starting with the 2008 claim year, the deadline for submission of the final provincial claim to the federal government is five years from the date of the federal Order in Council authorizing the provision of disaster assistance.

<sup>6</sup> Claim year is the calendar year in which the disaster event occurred.

<sup>7</sup> For 2010, the Ministry still has to reassess approximately 1,700 PDAP claims for DFAA eligibility. The Ministry indicated that, starting with the 2011 claim year, it will assess DFAA eligibility on a sample basis but at July 2013, it had not yet determined its sampling approach.

<sup>8</sup> The Ministry received \$4 million for the 2005 claim year, \$19 million for the 2007 interim claim, and \$10 million for flood mitigation.

When a natural disaster occurs, multiple provincial government agencies incur disaster-related costs. For example, the Ministry of Highways and Infrastructure incurs costs to repair roads, and the Water Security Agency incurs costs to repair water structures such as dams. Some of these costs are eligible for reimbursement from the federal government.

To prepare the federal claim, the Ministry requests and obtains from other government agencies their estimates of eligible costs. However, it did not consistently request or receive supporting information on costs reported (e.g., detail of amounts paid) from these other agencies.

#### › **Need Sufficient Support for Flood Mitigation Revenue Estimate**

Under the *Contribution Agreement for Cost-Sharing of Permanent 2011 Flood Mitigation Measures* (Agreement), the federal government provided Saskatchewan with funding for certain costs related to flood-mitigation projects it incurred from January 1, 2011 to the beginning of a flood event in 2011. In 2012-13, the Ministry recorded estimated revenue of \$18 million for funds it expected to receive from the federal government under the Agreement. The Ministry was unable to provide sufficient supporting documentation that showed how it determined this estimated revenue and the basis for its estimate.

#### › **Support Needed for Percentage Used to Make DFAA Claim Revenue Estimate**

For each claim year, the Ministry estimates the percentage of total PDAP costs that are eligible for reimbursement by the federal government for areas federally-designated as disaster areas. It used a percentage of 80% for the 2005 to 2011 claim years. In 2012-13, it increased this percentage to 90%. The Ministry did not document the method it used, the data it evaluated, and the assumptions it made to determine these percentages.

Without sufficient documentation of estimation methods, supporting data, and key assumptions used in developing significant accounting estimates, there is an increased risk of the Ministry making inaccurate estimates. Inaccurate estimates can result in incorrect financial information being used for decision making.

**2. We recommend that the Ministry of Government Relations keep clear documentation of the estimation methods, supporting data, and key assumptions it uses in making significant accounting estimates.**

### **4.3 Improved Monitoring of Service Contracts for Emergency Management Services Needed**

The Ministry did not have sufficient processes to ensure contractors responding to provincial emergencies provided services as expected.

The Ministry regularly uses outside contractors to provide services where it does not have the resources or expertise available within the Ministry to meet its needs. In 2012-



13, the Ministry's Emergency Management and Fire Safety Division (Division) hired contractors at a cost of \$2 million (2011-12: \$1.9 million) including \$26 thousand (2011-12: \$114 thousand) for additional compensation.<sup>9</sup>

To ensure it receives and only pays for services expected, contracts with its service providers must clearly describe:

- › The nature, timing, and extent of services to be provided
- › The responsibilities of each party
- › The basis for paying for services
- › The reporting requirements to allow the Ministry to be able to monitor the receipt of the services and performance of the contractor

The Ministry's signed annual contracts with these contractors set out each party's general responsibilities and included a general description of the nature of the services to be provided. The contracts also included a set, annual fee to be paid for the work done but did not set out, in sufficient detail, the extent of services the Ministry expected each contractor to provide (e.g., the amount of work expected [hours] or the outcome expected).

In 2011-12, the Ministry amended these contracts to allow it to authorize "additional compensation" for additional services rendered in the event of an emergency as defined in *The Emergency Planning Act*. As the Ministry would not always know what specific duties may be required for a particular emergency, we expected the Ministry to have documented criteria for determining when and how much additional compensation is to be paid.

We found that the Ministry was unable to provide sufficient support for the additional compensation paid. The Ministry indicated that when determining whether to pay additional compensation, staff considered whether the contractor worked hours over and above what was expected. However, as noted above, neither the contracts nor other Ministry documentation set out the detailed extent of services expected.

Without such criteria, the Ministry is at risk of continuing to make unsupported payments for additional compensation for emergency management services.

**3. We recommend that the Ministry of Government Relations develop criteria for determining when and how much additional compensation should be paid to emergency management services contractors and communicate these criteria to the contractors.**

Monitoring the performance of suppliers is critical to controlling costs and managing risks. Supplier performance must be monitored throughout the contracting process. We also expected the Ministry to actively monitor the nature and type of services provided by emergency management services contractors. Active monitoring would include, at

<sup>9</sup> The Ministry had a total of 58 contractors in place at various times throughout 2012-13 (2011-12 – 63 contractors).

least annually, formally assessing the performance of each contractor. Other monitoring activities could include discussions at regularly-held meetings, review by senior management of performance reports prepared by management responsible for emergency management services, etc.

We found that the Ministry did not always request or receive sufficient verification of services provided (e.g., time records or other information showing specific duties performed by the contractor each month) before paying contractors. Also, we found no formal processes for monitoring the performance of emergency management service contractors.

Without such information, there is increased risk that the Ministry may not be receiving services as expected and may be making payments for services not provided.

- 4. We recommend that the Ministry of Government Relations clearly document the services it expects to receive from emergency management services contractors, formally communicate those expectations to contractors, and monitor that contractors are performing as expected.**

#### **4.4 Timely Removal of User Access Needed**

We recommended that the Ministry of Government Relations (formerly the Ministry of Municipal Affairs) document and implement procedures to ensure unneeded user access to its information technology systems and data is removed promptly.  
(2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

In 2012-13, Ministry management reminded staff, in writing, that they must make timely requests for the removal of unneeded user access (e.g., prior to the date that staff leave the employment of the Ministry). However, we noted 14 instances where Ministry staff did not make timely requests for removal of unneeded user access.



## Chapter 11

### Health

#### 1.0 MAIN POINTS

This chapter reports that the Ministry of Health (Health) and 14 of its agencies complied with authorities governing their activities except that Health did not follow the *Financial Administration Manual* for sole-source contracting. Those agencies had reliable 2013 financial statements. Health did not follow Canadian generally accepted accounting principles for the public sector for reporting shared ownership agreements and funding and liabilities for regional health authorities' long term debt. Also, Health and those agencies had effective rules and procedures to safeguard public resources except Health needs to improve its processes in the following areas.

Health needs to follow its processes for promptly removing unneeded user access to its information systems and data. Lack of timely removal of unneeded access to systems and data increases the risk of inappropriate access to sensitive information.

Also, Health has not implemented a process to verify medical services that patients received and were billed by doctors. Verifying medical services would help ensure that Health pays doctors only for services provided, and could help Health identify and recover any money lost as a result of incorrect billing.

In addition, Health needs to comply with the *Financial Administration Manual* when entering into contracts for services. It needs to ensure that there is adequate documentation to support sole-source contracting decisions.

Health still does not have a capital asset plan. This increases the risk that the healthcare system may not have the capital assets it needs to deliver the services citizens require.

Health also needs to communicate its business continuity equipment needs to its information technology (IT) service provider and complete testing of its business continuity plan.

#### 2.0 INTRODUCTION

Health oversees the provincial healthcare system. It also regulates the delivery of healthcare in Saskatchewan. To ensure the provision of essential and appropriate services, Health establishes provincial strategy and policy direction, sets and monitors standards, and provides funding. It oversees a healthcare system that includes 12 regional health authorities (RHAs), Saskatchewan Cancer Agency (SCA), Athabasca Health Authority,<sup>1</sup> affiliated healthcare organizations, and a diverse group of professionals. Health works with the RHAs, the SCA, and other stakeholders to recruit and retain healthcare providers, including nurses and physicians.<sup>2</sup>

<sup>1</sup> The Athabasca Health Authority operates under an agreement between the province, Canada, and six northern First Nations. The Ministry of Health funds the Authority for acute care expenses.

<sup>2</sup> Ministry of Health, *2012-13 Annual Report*.





## 2.1 Financial Overview

For the year ended March 31, 2013, Health had revenues of \$22.4 million including \$9.3 million from transfers from the federal government.<sup>3</sup> As reflected in **Figure 1**, Health spent \$4.6 billion to deliver its programs and services.<sup>4</sup> Information about Health's revenues and expenses appears in its annual report.<sup>5</sup>

**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 12.7	\$ 11.5
Regional Health Services	3,234.1	3,209.0
Provincial Health Services	220.0	215.6
Medical Services and Medical Education Programs	819.0	780.9
Drug Plan and Extended Benefits	382.1	345.2
Early Childhood Development	10.9	10.9
Provincial Infrastructure Projects	<u>47.7</u>	<u>42.6</u>
<b>Total Appropriation</b>	<u>4,726.5</u>	<u>4,615.7</u>
Capital Asset Acquisition	(48.1)	(42.7)
Capital Asset Amortization	<u>1.8</u>	<u>2.5</u>
<b>Total Expense</b>	<u>\$ 4,860.2</u>	<u>\$ 4,575.5</u>

Source: Ministry of Health, 2012-13 Annual Report

## 2.2 Related Special Purpose Funds and Crown Agencies

At March 31, 2013, Health was responsible for the following special purpose funds and Crown agencies (agencies):

### Year-end March 31

Twelve Regional Health Authorities  
 North Sask. Laundry & Support Services Ltd.  
 Health Shared Services Saskatchewan (3sHealth)  
 eHealth Saskatchewan  
 Health Quality Council  
 Physician Recruitment Agency of Saskatchewan  
 Saskatchewan Association of Health Organizations Inc. (SAHO)  
 Saskatchewan Cancer Agency  
 Saskatchewan Health Research Foundation  
 Saskatchewan Impaired Driver Treatment Centre Board of Governors (Treatment Centre)

<sup>3</sup> Ibid., p. 34.

<sup>4</sup> Ibid., p. 35.

<sup>5</sup> See [www.health.gov.sk.ca](http://www.health.gov.sk.ca) (30 October 2013).

Year-end December 31

3sHealth, Disability Income Plan – C.U.P.E.  
 3sHealth, Disability Income Plan – S.E.I.U  
 3sHealth, Disability Income Plan – SUN  
 3sHealth, Disability Income Plan – General  
 3sHealth, Core Dental Plan  
 3sHealth, In-Scope Extended Health/Enhanced Dental Plan  
 3sHealth, Out-of-Scope Extended Health/Enhanced Dental Plan  
 3sHealth, Group Life Insurance Plan  
 3sHealth, Master Trust Combined Investment Fund

We provide our audit findings for the following agencies in separate chapters:

- › Regional Health Authorities (see Chapters 18, 19, and 23)
- › North Sask. Laundry & Support Services Ltd. (see Chapter 16)
- › 3sHealth (see Chapter 12)

Our audits of eHealth Saskatchewan, SAHO, and Treatment Centre are not yet complete. We will report the results of our audit when our work is complete.

This chapter reports the results of our audits of the remaining 14 agencies.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended on or before March 31, 2013:**

- › **Health and its agencies had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Health and its agencies complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Department of Health Act*  
*The Drug Plan Medical Supplies Regulations*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Saskatchewan Assistance Plan*  
*Supplementary Health Benefit Regulations*  
*The Saskatchewan Medical Care Insurance Act*  
*The Saskatchewan Medical Care Insurance Beneficiary and Administration Regulations*  
*The Medical Care Insurance Peer Review Regulations*  
*The Saskatchewan Medical Care Insurance Payment Regulations, 1994*

*The Prescription Drugs Act*  
*The Prescription Drugs Regulations*  
*The Health Facilities Licensing Act*  
*The Health Facilities Licensing Regulations*  
*The Mental Health Services Act*  
*The Financial Administration Act, 1993*  
*The Government Organization Act, 2004*  
*The Crown Corporations Act, 1993*  
*The Tabling of Documents Act, 1991*  
*The Health Quality Council Act*  
*The Cancer Agency Act*  
*The Cancer Agency Regulations*  
*The Public Health Act, 1994*  
 Orders in Council issued pursuant to the above legislation

- › **The financial statements of each of the agencies are reliable**



We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Health's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined Health's significant programs including medical services and medical education, drug plan and extended benefits, provincial health services, capital planning, and supervision of regional health authorities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Removal of User Access Needs to be Timely

Health has established processes to remove unneeded user access to its IT systems and data.

However, it does not always follow its processes for promptly removing user access from individuals who no longer work for the Ministry. During the year, three employees who had access to the MIDAS financial system left Health. These three employees did not have their access to the system removed on a timely basis. If former employees do not have access removed in a timely manner, it increases the risk of inappropriate access to the Ministry's systems and data.

- 1. We recommend that the Ministry of Health follow its processes to remove unneeded user access to its IT systems and data promptly.**

### 4.2 Assets Constructed under Shared Ownership Agreements Incorrectly Recorded

During 2012-13, Health entered into contractual agreements for certain capital projects with seven RHAs. It calls these shared ownership agreements. The Government argues that under these agreements, Health owns a portion of the facility being built. Health based its share of ownership on the proportion of funding it provided as compared to the expected overall cost of the project. Instead of recording its funding for these capital projects as capital transfers (expenses) as done prior to entering into these agreements and as it does for other approved capital projects, Health recorded its funding of \$42.2 million as tangible capital assets of the General Revenue Fund. We disagree with the accounting for these projects based on the following.

Under Canadian generally accepted accounting principles for the public sector (Canadian GAAP), to capitalize a tangible capital asset, an agency must control the risks

and benefits of the asset.<sup>6</sup> The risks and benefits that Health obtains from the ongoing use of the facilities being constructed under the shared ownership agreements are substantially unchanged from the risks and benefits derived from facilities currently solely owned by RHAs. These facilities are specifically designed to deliver healthcare services and their use is not easily changed. RHAs will use them in the delivery of their services. Health remains a major source of capital for such facilities and a major source of maintenance funding for them. Also, as noted below, it remains a source of funding to assist in the repayment of RHAs' borrowings related to capital projects.

The Government uses Health as its vehicle to exercise control over RHAs that are party to these agreements. Given the relationship between Health and RHAs, we do not think it is feasible to partition among them the benefits and risks associated with facilities built under these agreements. Furthermore, equating the extent of financial contribution of each party to the risks and rewards of ownership cannot be substantiated.

Health incorrectly recorded \$42.2 million as tangible capital assets and did not properly record this amount as capital transfers (i.e., expenses). Use of Canadian GAAP is necessary so that Health's financial records accurately reflect the costs of its programs and decisions.

- 2. We recommend that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector when accounting for assets constructed under shared ownership agreements.**

### **4.3 Funding to Regional Health Authorities for Debt Repayment Not Properly Recorded**

Health provides RHAs with funding to enable them to repay the principal and interest due on their long term debt/loans. RHAs rely on this source of funding to repay these loans and Health has created an expectation or guarantee to the RHAs that it will provide them with sufficient funding to do so.

Canadian public sector accounting principles require transactions to be accounted for based on their substance. As such, loans expected to be repaid through future government funding should be accounted for as a liability and expense in the year that the expectation or promise is made.

Health inappropriately accounted for these funding arrangements on a "pay-as-you-go" basis instead of on an accrual basis. For the year ended March 31, 2013, Health did not record liabilities of \$84.1 million and the related expense of \$15.4 million in its financial records.

<sup>6</sup> Risks of owning an asset would include being responsible for the costs of ownership (e.g., insurance coverage, maintenance, and the impact of asset not being able to provide services). Benefits of owning an asset include use of assets to provide services directly (e.g., using it to provide health services) or to generate revenue (e.g., rental income).



3. We recommend that the Ministry of Health follow Canadian generally accepted accounting principles for the public sector to record, in its financial records, funding provided to regional health authorities for the repayment of principal and interest due on loans and the related liabilities.

#### 4.4 Documented Support for Sole-Source Contracting Decisions Needed

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We recommended that the Ministry of Health comply with the *Financial Administration Manual* when entering into contracts for services exceeding the limits prescribed in the *Financial Administration Manual*. (2012 Report – Volume 2; the Public Accounts Committee has not yet reviewed this recommendation)

**Status** – Not Implemented

We recommended that the Ministry of Health document its due diligence and consideration of alternatives when awarding contracts. (2012 Report – Volume 2; the Public Accounts Committee has not yet reviewed this recommendation)

**Status** – Not Implemented

In 2012-13, Health did not comply with the *Financial Administration Manual* (Manual) when entering into contracts for services exceeding the limits prescribed in the Manual. The Manual requires ministries to document why the formal contracting process was not used. Health needs to ensure that it adequately documents support for sole-source contracting decisions with service providers.

We noted that, during the year, Health did not enter into any contracts with community-based organizations for new types of services.

#### 4.5 Verify Medical Services to Patients

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We recommended that the Ministry of Health implement a process to verify that patients received the medical services that doctors billed the Ministry for payment. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Not Implemented

Health pays about \$481 million annually to doctors for medical services on a “fee-for-service” basis.

Prior to 2011, Health compared each doctor’s billing to historical trends and sought confirmation from patients receiving medical services. In 2011, Health stopped confirming with patients that they had received the services doctors claimed for them. Comparing doctors’ billings to past billing trends alone is not sufficient without seeking periodic confirmation from those who received the services.

Since we first reported this matter in 2011, management indicated that Health was revising its processes for verifying medical services. In 2013, management again indicated that Health was revising its process for verifying medical services that doctors provide to patients, and that the new process was expected to be implemented by March 2013. Verifying doctor services could help ensure that doctors bill Health correctly, that Health pays doctors only for services provided, and could help Health in its efforts to recover any money lost as a result of incorrect billing.

## 4.6 Updated Risk Assessments for Agencies Delivering Health Related Services

We recommended that the Ministry of Health update its risk assessments for agencies delivering healthcare services to help monitor their performance. (2011 Report – Volume 2, Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

Health has established a process to assess the risk that agencies delivering healthcare services may not spend money provided by Health for the intended purposes. For agencies assessed as high-risk, Health follows up to obtain timely information to monitor performance and to determine if those agencies are using money for the intended purposes. Health’s processes require annual risk assessments for agencies providing health-related services on its behalf. Risk assessments for these agencies are now being updated annually.

## 4.7 Capital Asset Plan Not in Place

We recommended that the Ministry of Health develop a capital asset plan to help ensure that it can carry out its strategic plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 30, 2004)

**Status** – Not Implemented

The healthcare system uses over \$1.2 billion of capital assets (buildings and equipment) to deliver healthcare.



Health still does not have a capital asset plan. Health was given certain priorities in the Minister's mandate letter dated November 21, 2007. These priorities included the development of a 10-year capital plan for healthcare. Health has not yet prepared the plan. Lack of a capital asset plan increases the risk that the healthcare system may not have the capital assets it needs to deliver the services citizens require, or that it may have idle capital assets that it could use at some other location. A long-term capital asset plan for Health would also help RHAs prepare their own capital asset plans.

## 4.8 Business Continuity Planning Needed

We recommended that the Ministry of Health prepare a complete business continuity plan.

**Status** – Partially Implemented

During 2012-13, Health finalized its business continuity plan<sup>7</sup> but had not communicated its business continuity requirements to its IT service provider—eHealth Saskatchewan. Not communicating its needs to its IT service provider could result in Health's critical systems and data not being available in the event of a disaster. Health also needs to complete testing of the business continuity plan to help ensure its effectiveness.

<sup>7</sup> Business Continuity Plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

## Chapter 12

### Health Shared Services Saskatchewan (3sHealth)

#### 1.0 MAIN POINTS

On April 17, 2012, members of Saskatchewan Association of Health Organizations (SAHO) amended SAHO's bylaws and changed its name to Health Shared Services Saskatchewan (3sHealth). Under the new bylaws, a Governing Council, consisting of representatives from the regional health authorities, their affiliates, and the Saskatchewan Cancer Agency, is responsible for appointing a Board of Directors for 3sHealth.

For the year ended March 31, 2013, 3sHealth's financial statements are reliable. It had effective rules and procedures to safeguard public resources and it complied with its governing authorities, except for the matter described in this chapter.

3sHealth's board remuneration policy is not consistent with other public sector agencies. 3sHealth's Board of Directors includes "internal" and "external" directors. The policy defines internal directors as individuals who are involved with the health sector only. Other public sector agencies treat those who work for the Government of Saskatchewan as internal and do not pay them any remuneration.

Although the policy does not set out any compensation for internal directors, 3sHealth paid all directors a monthly retainer and per diem for attending board meetings. 3sHealth indicated that its practice of remunerating all directors of its board is consistent with the Governing Council's unwritten intention.

We recommend that 3sHealth revise its board remuneration policy to make it consistent with other Saskatchewan public sector agencies

#### 2.0 INTRODUCTION

3sHealth is mandated to provide shared services to Saskatchewan healthcare organizations and to certain healthcare organizations outside of the province.

For the year ended March 31, 2013, 3sHealth had revenue totaling \$22.38 million, expenses totaling \$22.33 million, and a surplus of \$0.05 million. At March 31, 2013, 3sHealth held assets of \$18.54 million. 3sHealth's financial statements are included in its 2012-13 annual report.

#### 3.0 BACKGROUND

On April 17, 2012, the membership of the Saskatchewan Association of Health Organizations (SAHO) amended SAHO's bylaws to change its name to Health Shared Services Saskatchewan (3sHealth) and to create its new mandate.





Under the new bylaws, a Governing Council, consisting of representatives from the regional health authorities, their affiliates, and the Saskatchewan Cancer Agency, is responsible for planning and organizing provincial shared services.<sup>1</sup> The Governing Council appoints a Board of Directors to oversee the operations of 3sHealth.

## 4.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- › **3sHealth had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- › **3sHealth complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*An Act to Incorporate Saskatchewan Health-Care Association  
3sHealth's Bylaws*

- › **3sHealth had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of 3sHealth's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 5.0 KEY FINDING AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

### 5.1 Board Remuneration Policy Needs Clarity

3sHealth's board remuneration policy is inconsistent with similar policies elsewhere in the Government. Also, 3sHealth did not follow the approved written policy.

The Governing Council has appointed nine directors to 3sHealth's Board; four are internal directors and five are external directors. 3sHealth defines internal directors as individuals who are currently involved with healthcare systems either as employees or members of the board of directors of a regional health authority, its affiliate, or the Saskatchewan Cancer Agency. Therefore, external directors are directors who are not internal directors.

On December 13, 2011, the Governing Council approved a policy setting out remuneration rates for external directors. The rates include per diems and monthly retainers. The policy does not set out any remuneration for internal directors. During 2012-13, we found that 3sHealth paid all directors a monthly retainer and per diem for

<sup>1</sup> [www.3shealth.ca/about-3shealth/3shealth-governance](http://www.3shealth.ca/about-3shealth/3shealth-governance) (24 September 2013).

attending board meetings, regardless of whether they were internal or external members. During 2012-13, 3sHealth paid internal directors a total of \$60,102. Paying internal directors remuneration does not comply with 3sHealth's approved policy.

On October 22, 2013, 3sHealth indicated that its practice of paying internal and external directors is consistent with the Governing Council's unwritten intention to remunerate all directors of 3sHealth's board. 3sHealth accepts that its current policy is unclear in this regard.

Also, 3sHealth defines internal directors differently than other Saskatchewan public sector agencies (i.e., Crown Investments Corporation and its subsidiary corporations, and Treasury Board agencies). Other public sector agencies consider individuals serving on boards internal if they are employed within the Government of Saskatchewan (i.e., within a Crown corporation, a Ministry, or another agency). Other public sector agencies do not pay internal directors additional remuneration. However, an exception to this policy may be made for individuals who are serving as directors on their personal time with the permission of their employer.

Two directors, who 3sHealth considers external, are employed by the Government. During 2012-13, 3sHealth paid one of those directors a monthly retainer and paid the per diem allowance to the director's employer. For the other director, it paid both the monthly retainer and per diem allowance to the director. In 2012-13, 3sHealth paid these two directors remuneration totalling \$15,771.

3sHealth has not determined whether these individuals are paid by their employer for time spent at 3sHealth, or if these individuals are serving as a director on their personal time. Paying remuneration to directors employed within the Government would result in the Government paying these individuals twice.

- 1. We recommend that Health Shared Services Saskatchewan (3sHealth) revise its Board remuneration policy to make it consistent with other public sector agencies for not remunerating directors employed within the Government of Saskatchewan and comply with the revised policy.**



## Chapter 13

# Highways and Infrastructure

### 1.0 MAIN POINTS

During 2012-13, the Ministry of Highways and Infrastructure (Highways) and the Transportation Partnerships Fund (Fund) complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing and investing. The 2012-13 financial statements of the Fund are reliable. Highways had effective rules and procedures to safeguard public resources except for the following matters.

Highways continues to need to revise its service level agreement with the Information Technology Office (ITO). During the year, Highways and ITO prepared a proposed memorandum of understanding (MOU) to address Highways security and disaster recovery needs. However, this MOU did not adequately define Highways' disaster recovery requirements to ITO. Without this, Highways does not know whether ITO could restore its key systems and data in the event of a disaster.

Highways needs to follow its procedures to promptly remove access of former employees to its computer systems and data. This is necessary for Highways to ensure only authorized individuals have access to its computer systems and data.

Highways needs to follow the established procedures for Public Service Commission (PSC) processing the final timecards of employees who have left employment with Highways. If Highways processes the final timecard, it risks making salary overpayments to those employees for benefits not earned (e.g., vacation leave entitlements). It is difficult for Highways to recover salary overpayments.

### 2.0 INTRODUCTION

Highways manages and provides for the development of an integrated provincial transportation system. Highways is responsible for managing the provincial transportation system which includes more than 26,000 km of highways, about 767 bridges, 17 airports in northern Saskatchewan, and 12 ferries.<sup>1</sup> As of March 31, 2013, this infrastructure had a net book value of about \$2.5 billion. **Figure 1** compares Highways budget estimates to actual spending by program.

<sup>1</sup> Ministry of Highways and Infrastructure, 2012-13 Annual Report.



## 2.1 Financial Overview

Figure 1 – Major Programs and Spending

	Estimates 2012-13*	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 21.4	\$ 18.7
Strategic Municipal Infrastructure	37.0	42.0
Operation of Transportation System	87.4	103.4
Preservation of Transportation System	150.8	142.6
Transportation Policy and Programs	3.9	3.4
Machinery and Equipment	5.8	5.9
Special Warrant	<u>10.0</u>	<u>-</u>
<b>Total Vote 16 Appropriation</b>	316.3	316.0
Capital Asset Acquisitions	(10.0)	(8.3)
Capital Asset Amortization	<u>129.7</u>	<u>125.4</u>
<b>Total Vote 16 Expense</b>	436.0	433.1
Capital Asset Acquisitions – Vote 17	<u>325.3**</u>	<u>299.3</u>
	<u>\$ 761.3</u>	<u>\$ 732.4</u>

Source: Saskatchewan Provincial Budget 12-13 Estimates (votes 16 and 17); 2012-13 Annual Report Ministry of Highways and Infrastructure

\* During 2012-13, Highways obtained additional funds through special warrants totalling \$60 million.

\*\* The Ministry had \$57.5 million of unutilized 2011-12 appropriation to carry over to 2012-13.

During the 2012-13 fiscal year, Highways had 1,309 employees in 100 Saskatchewan communities.<sup>2</sup>

In 2012-13, Highways had revenue of \$28.5 million including transfers from the federal government of \$23.5 million. Highways' annual report sets out and explains significant differences between actual and estimated revenues and expenses.

Highways is also responsible for the Transportation Partnerships Fund (Fund). The Fund's financial statements are tabled separately in the Legislative Assembly.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- Highways had effective rules and procedures to safeguard public resources except for the matters reported in this chapter
- Highways and its Fund complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

<sup>2</sup> Ministry of Highways and Infrastructure, 2012-13 Annual Report.

*The Highways and Transportation Act, 1997*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Railway Line (Short Line) Financial Assistance Regulations*  
*The Purchasing Act, 2004 and Regulations*  
 Orders in Council pursuant to the above legislation

### › The Fund had reliable financial statements

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Highways' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of Highways' financial-related controls used to administer the spending listed in **Figure 1**, its revenues, and its infrastructure and other assets. Also, we examined the effectiveness of the controls it used to keep reliable financial records, prepare reliable financial reports, and safeguard the transportation system.

Because of Highways' extensive use of contractors in the maintenance and construction of its highways and bridges, we paid particular attention to its controls over managing contracts. This included assessing its processes for awarding, approving, and adjusting contracts; retaining appropriate security and holdbacks; approving estimates; obtaining appropriate clearance from the Workers' Compensation Board and tax authorities before making final payments; and tracking its related contractual obligations.

Also, because Highways relies on its computer systems to manage its contracts and the transportation system, we assessed key service level agreements, change management processes, and user access controls related to these key systems.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Revised Service Level Agreement with ITO Needed

We recommended that the Ministry of Highways and Infrastructure sign an adequate agreement with the Information Technology Office that addresses the Ministry's disaster recovery and security needs over its computer systems. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – Partially Implemented

Highways' agreement with ITO signed in October 2008 does not adequately address disaster recovery and Highways' ability to obtain assurance as to the security of its information systems. Although Highways officials meet with ITO officials to discuss



services provided and issues, Highways does not receive sufficient information about the quality of ITO's security controls or ITO's plans to handle disasters that could affect Highways' computer systems or data. As a result, Highways does not know whether ITO can restore Highways' systems and data when needed in the event of a disaster and whether ITO has kept Highways' data secure.

During 2012-13, Highways and ITO prepared a draft MOU to address Highways' disaster recovery and security needs. However, the proposed MOU does not adequately define Highways' disaster recovery requirements to ITO. For example, the MOU does not define Highways' most critical systems that support its essential business processes and how quickly ITO is expected to recover these systems in the event of a disaster.

## 4.2 Promptly Remove Expired User Access

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We recommended that the Ministry of Highways and Infrastructure follow its established procedures for removing user access to its computer systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement April 21, 2010)

**Status** – Partially Implemented

During 2012-13, Highways made no progress on implementing this recommendation. Although Highways has established procedures to remove user access to its computer systems and data, it did not always follow them. As in our prior audit, we found former employees whose access to Highways' computer systems was not removed in a timely manner (i.e., 6 of the 10 items we examined).

As a result, Highways cannot ensure that only authorized individuals have access to its computer systems and data. Highways' data and systems are at increased risk of to access by unauthorized users, including inappropriate access to confidential information.

## 4.3 Adhere to Procedures for Processing Final Timecards

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We recommended that the Ministry of Highways and Infrastructure follow the established procedures for processing final timecards of employees who leave the employment of the Ministry. (2012 Report – Volume 2; Public Accounts has not yet considered this recommendation)

**Status** – Partially Implemented

Highways continues to not always follow its established procedures for processing the final timecards of employees who leave the employment of the Ministry.

During 2012-13, approximately 400 employees left the employment of Highways (most of these individuals were seasonal workers). In 2012-13, nine employees who left the employment of Highways received salary overpayments totalling approximately \$14,000. The majority of these overpayments related to their final pay cheque including benefits (e.g., vacation leave entitlements) that they had not earned. For all of these nine employees, Highways processed the final timecard instead of submitting the timecard to PSC for processing as specified in its procedures.

As of September 30, 2013, Highways and PSC had recovered approximately \$4,700 of these overpayments.

## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Highways and Infrastructure (Highways Maintenance) (2010 Report – Volume 1)</b>		
2011	7-1 that the Ministry of Highways and Infrastructure set long-term service-level objectives (such as long-term surface-condition factors).	<b>Partially Implemented</b> (as of March 31, 2013) We plan to do a follow-up in 2014.
2011	7-2 that the Ministry of Highways and Infrastructure use service-level objectives to determine its annual and longer-term maintenance priorities.	<b>Not Implemented</b> (as of March 31, 2013) We plan to do a follow-up in 2014.
2011	7-4 that the Ministry of Highways and Infrastructure receive a report on the results of the maintenance activities at the end of the maintenance season, as required.	<b>Partially Implemented</b> (as of March 31, 2013) We plan to do a follow-up in 2014.





## Chapter 14

### Justice

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Ministry of Justice (formerly Ministry of Justice and Attorney General) and its 10 agencies for the year ended March 31, 2013.

The Ministry of Justice (Justice) and its agencies complied with authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

The 2012-13 financial statements of its agencies are reliable.

Justice and its agencies had effective rules and procedures to safeguard public resources except that Justice needs to:

- › Adequately monitor the security of its information technology systems and data, and complete its business continuity plan
- › Follow its policies and procedures for paying amounts owed to employees

#### 2.0 INTRODUCTION

The mandate of Justice is to provide a fair justice system that upholds the law and protects the rights of all individuals in Saskatchewan, promotes safe and secure communities, and provides legal and justice policy advice to government.<sup>1</sup>

Effective May 25, 2012, the responsibilities of corrections and policing in Saskatchewan became part of the Ministry.

#### 2.1 Financial Overview

For the year ended March 31, 2013, Justice spent \$523.4 million on its programs. For 2012-13, Justice also had revenues totalling \$74.8 million comprised primarily of fines, fees and transfers from federal and municipal governments. Information about Justice's revenues and expenditures appears in its 2012-2013 annual report.<sup>2</sup>

<sup>1</sup> *Ministry of Justice, 2012-13 Annual Report*, p. 6.

<sup>2</sup> See [www.justice.gov.sk.ca/18-11AR](http://www.justice.gov.sk.ca/18-11AR) (30 October 2013).



**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management & Services	\$ 47.2	\$ 50.0
Courts and Civil Justice	52.8	55.4
Legal and Policy Services	30.3	30.7
Community Justice	19.9	19.2
Boards and Commissions	26.9	26.9
Adult Corrections	104.8	109.2
Young Offender Programs	52.1	51.8
Policing and Community Safety	178.3	176.2
Saskatchewan Police Commission	1.4	1.3
Major Capital Projects	<u>30.1</u>	<u>25.9</u>
<b>Total Appropriation</b>	<u>543.8*</u>	<u>546.6</u>
Capital Asset Acquisitions	(30.1)	(25.1)
Capital Asset Amortization	<u>1.3</u>	<u>1.9</u>
<b>Total Expense</b>	<u>\$ 515.0</u>	<u>\$ 523.4</u>

Source: Ministry of Justice, 2012-13 Annual Report, p. 31

\* During the year, the Ministry obtained additional funds through a special warrant of \$7.1 million.

## **2.2 Related Special Purpose Funds and Crown Agencies**

At March 31, 2013, Justice was responsible for the following trust and special purpose funds, boards, and commissions (agencies):

### Year-ended March 31

- Correctional Facilities Industries Revolving Fund
- Criminal Property Forfeiture Fund
- Financial and Consumer Affairs Authority of Saskatchewan
- Law Reform Commission of Saskatchewan
- Office of Residential Tenancies – Director’s Trust Account
- Provincial Mediation Board Trust Accounts
- Public Guardian and Trustee of Saskatchewan
- Queen’s Printer Revolving Fund
- Saskatchewan Legal Aid Commission
- Victims’ Fund

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › **The Ministry of Justice and its agencies had effective rules and procedures to safeguard public resources except as described in this chapter**
- › **The Ministry of Justice and its agencies complied with the authorities, listed in Exhibit 5.2, governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing**
- › **The agencies had reliable financial statements**

To do our work, we used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Justice's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. We examined the effectiveness of financial-related controls to administer the significant programs of Justice including courts and civil justice, adult corrections, young offender programs, and policing and community safety.

This chapter also provides the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Better Monitoring of IT Needed

We recommended that the Ministry of Justice (formerly the Ministry of Justice and the Attorney General) adequately monitor the security of its information technology systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement February 2, 2010)

**Status** – Not Implemented

During 2012-13, Justice continued to receive monthly reports from the Information Technology Office (ITO) that include limited information on the security or availability of its systems, the effectiveness of ITO's controls, or how weaknesses at ITO could impact Justice's systems and data. Consequently, Justice did not know if ITO was addressing Justice's security and disaster recovery needs.

Consistent with the prior year, Justice did not follow its processes for promptly removing user access from individuals who no longer work for Justice. For example, we found 5



out of 10 individuals that we tested did not have their network access removed promptly. In one instance, network access removal was not requested until 97 days after the individual's employment ended. Also, we found that Justice did not remove access to MIDAS<sup>3</sup> financial or payroll system in a timely manner for 7 out of 9 individuals, who were no longer Justice employees.

Delays in removing access for former employees in a timely manner increases the risk of inappropriate access to Justice's systems and data.

## 4.2 Business Continuity Plan Not Completely Tested

We recommended that the Ministry of Justice complete and implement its business continuity plan. (2005 Report – Volume 3; Public Accounts Committee agreement June 25, 2007)

**Status** – Partially Implemented

In April 2013, Justice updated its current business continuity plan (BCP)<sup>4</sup> for its critical business functions. In May 2013, Justice staff completed exercises to test different BCP scenarios.

Although Justice has identified its disaster recovery needs to ITO, ITO does not perform disaster recovery testing to ensure that Justice's critical systems can be recovered in a timely way in the event of a disaster. Without an adequate and tested disaster recovery plan, Justice cannot have a completely tested BCP.

## 4.3 Need to Follow Payroll Policies and Procedures

We recommended that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) supervise its employees to ensure they follow the Ministry's policies and procedures for paying amounts owed to employees. (2010 Report – Volume 1; Public Accounts Committee agreement May 11, 2011)

**Status** – Not Implemented

Justice spent about \$100 million on correctional facility salaries and wages for the year ended March 31, 2013.

Justice paid correctional facility employees based on timecards that were not always properly approved and supported. During 2012-13, we found 6% (3 of 53) of the correctional facility timecards we tested were not properly approved. We also reported in our *2013 Report – Volume 1*, Chapter 27 and our *2010 Report – Volume 1*, Chapter 4

<sup>3</sup> Multi-Informational Database Application System.

<sup>4</sup> Business Continuity Plan (BCP) - Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operations of the organization's critical operations or functions.

concerns regarding the administration of shift trades (see **Exhibit 5.1**). We found timecards at one correctional facility were not always properly supported (e.g., 4 of 10 timecards).

Therefore, Justice may be paying employees incorrect amounts. Due to the nature of the process, the amount of potential errors cannot be quantified.

Management indicated that Justice amended the collective agreement in August 2013 requiring management approval for all shift trades.

## 5.0 EXHIBITS

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in the future.

PAC Report Year	Outstanding Recommendation	Status
<b>Labour Costs Related to Absenteeism (2010 Report – Volume 1)</b>		
2011	4-6 that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) monitor and control changes to work schedules to minimize labour costs in correctional centres (e.g. approval of shift trades, pay out of overtime).	<b>Partially Implemented</b> (as of December 31, 2012)
2011	4-7 that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) pay corrections workers for actual hours worked.	<b>Partially Implemented</b> (as of December 31, 2012)
<b>Security Awareness (2010 Report – Volume 1)</b>		
2011	8-1 that the Ministry of Justice and Attorney General assess its security awareness needs and ensure its security awareness program addresses those needs.	<b>Partially Implemented</b> (as of June 30, 2012)
2011	8-2 that the Ministry of Justice and Attorney General update its formal plan for its security awareness program and carry out the plan.	<b>Partially Implemented</b> (as of June 30, 2012)
2011	8-3 that the Ministry of Justice and Attorney General monitor the effectiveness of its security awareness program.	<b>Partially Implemented</b> (as of June 30, 2012)
<b>Monitoring provincial policing services delivered by the RCMP (2009 Report – Volume 1)</b>		
2011	3-11 that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) verify that costs charged by the Royal Canadian Mounted Police for provincial policing are accurate.	<b>Not Implemented</b> (as of October 9, 2012)



PAC Report Year	Outstanding Recommendation	Status
<b>Rehabilitate Adult Inmates (2008 Report – Volume 1)</b>		
2009	2-3 That the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) consistently comply with its policies to assess inmates' needs (primary and secondary) and plan relevant programs.	<b>Not Implemented</b> (as of August 31, 2011)
2009	2-5 That the Ministry Justice (formerly Ministry of Corrections, Public Safety and Policing) monitor the proportion of inmates accessing planned rehabilitation programs before the inmates are released into the community and enhance access to rehabilitation if required.	<b>Partially Implemented</b> (as of August 31, 2011)
2009	2-6 That the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) monitor re-offending rates in relation to rehabilitation programs to better evaluate its rehabilitation of inmates.	<b>Partially Implemented</b> (as of August 31, 2011)

## 5.2 Legislation – Summary of Relevant Authorities

### Justice:

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Correctional Services Act*  
*The Correctional Services Trust Account Regulations*  
*The Department of Justice Act*  
*The Community Justice Programs Regulations*  
*The Enforcement of Maintenance Orders Act, 1997*  
*The Enforcement of Maintenance Orders Regulations, 2009*  
*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Police Act, 1990*  
*The Police Regulations*  
*The Provincial Court Act, 1998*  
*The Provincial Court Compensation Regulations*  
*The Public Service Act, 1998*  
*The Purchasing Act, 2004*  
*The Queen's Bench Act, 1998*  
*The Queen's Bench Regulations*  
*The Summary Offences Procedures Act, 1990*  
*The Fine Option Program Regulations, 1991*  
*The Summary Offences Procedure Regulations, 1991*  
*The Tabling of Documents Act*  
*The Victims of Crime Act, 1995*  
*The Victims of Crime Regulations, 1997*  
*The Youth Justice Administration Act*  
 Orders in Council issued pursuant to the above legislation

### Correctional Facilities Industries Revolving Fund:

*The Correctional Services Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Criminal Property Forfeiture Fund:

*The Seizure of Criminal Property Act, 2009*  
*The Financial Administration Act, 1993*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

### Financial and Consumer Affairs Authority of

#### Saskatchewan:

*The Cemeteries Act, 1999*  
*The Collection Agents Act*  
*The Consumer Protection Act*  
*The Credit Union Act, 1995*  
*The Credit Union Act, 1998*  
*The Direct Sellers Act*  
*The Financial and Consumer Affairs Authority of Saskatchewan Act*  
*The Motor Dealers Act*  
*The Mortgage Brokers and Mortgage Administrators Act*  
*The Payday Loans Act*  
*The Pension Benefits Act, 1992*  
*The Saskatchewan Insurance Act*  
*The Securities Act, 1988*  
*The Trust and Loan Corporations Act, 1997*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

### Law Reform Commission of Saskatchewan:

*The Law Reform Commission Act*  
 Orders in Council issued pursuant to the above legislation

### Office of Residential Tenancies – Director's Trust Account:

*The Financial Administration Act, 1993*  
*The Residential Tenancies Act, 2006*  
 Orders in Council issued pursuant to the above legislation

### Provincial Mediation Board Trust Accounts:

*The Provincial Mediation Board Act*  
*Bankruptcy and Insolvency Act, Part X only (Canada)*  
*Orderly Payments of Debts Regulations (Canada)*  
*Bankruptcy and Insolvency General Rules (Canada)*  
*The Tax Enforcement Act*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Public Guardian and Trustee of Saskatchewan:

*The Administration of Estates Act*  
*The Administration of Estates Regulations*  
*The Adult Guardianship and Co-decision-making Act*  
*The Adult Guardianship and Co-decision-making Regulations*  
*The Children's Law Act, 1997*  
*The Dependant's Relief Act, 1996*  
*The Missing Persons and Presumption of Death Act*  
*The Missing Persons and Presumption of Death Regulations*  
*The Pension Benefits Act, 1992*  
*The Pension Benefits Regulations, 1993*  
*Pension Benefits Standards Regulations, 1985 (Canada)*  
*The Public Guardian and Trustee Act*  
*The Public Guardian and Trustee Regulations*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

### Queen's Printer Revolving Fund:

*The Queen's Printer Act*  
*The Queen's Printer Fees Regulations, 2004*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Saskatchewan Legal Aid Commission:

*The Legal Aid Act*  
*The Legal Aid Regulations, 1995*  
*The Financial Administration Act, 1993*  
 Orders in Council issued pursuant to the above legislation

### Victims' Fund:

*The Victims of Crime Act, 1995*  
*The Victims of Crime Regulations, 1997*  
*Criminal Code (S.737 Victims Surcharge) (Canada)*  
 Orders in Council issued pursuant to the above legislation





## Chapter 15

# Labour Relations and Workplace Safety

### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Ministry of Labour Relations and Workplace Safety (Ministry) for the year ended March 31, 2013.

The Ministry complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing and had effective rules and procedures to safeguard public resources except for the following.

The Ministry needs to receive sufficient information from the Information Technology Office (ITO) to monitor the effectiveness of ITO's security controls to protect the Ministry's systems and data.

### 2.0 INTRODUCTION

The mandate of the Ministry is to enforce and promote awareness of labour standards and occupational health and safety. The Ministry also provides mediation and conciliation services to help resolve workplace disputes as well as advocacy services on behalf of injured workers.<sup>1</sup>

As of March 31, 2013, the Ministry had 150.5 full-time equivalent positions within five divisions including Central Services, Labour Relations and Mediation, Labour Standards, Office of the Workers' Advocate, and Occupational Health and Safety.<sup>2</sup>

### 2.1 Financial Overview

As shown in **Figure 1**, in 2012-13, the Ministry spent \$17.1 million on its programs.

Also, in 2012-13, the Ministry had revenues of \$11.0 million, including \$10.7 million from the Workers Compensation Board under *The Occupational Health and Safety Act, 1993* for the costs of the Ministry's industrial safety program. Details of the Ministry's revenue and expenses are included in its annual report.<sup>3</sup>

<sup>1</sup> Ministry of Labour Relations and Workplace Safety, *12-13 Annual Report*, p. 3.

<sup>2</sup> *Ibid.*, p. 3.

<sup>3</sup> See [www.lrws.gov.sk.ca](http://www.lrws.gov.sk.ca) (30 October 2013).



**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 4.5	\$ 4.3
Occupation Health and Safety	7.7	7.5
Labour Standards	2.7	2.7
Labour Relations Board	1.0	0.9
Labour Relations and Mediation	0.8	0.8
Workers' Advocate	<u>0.7</u>	<u>0.8</u>
<b>Total Appropriation</b>	<u>17.4*</u>	<u>17.0</u>
Amortization of Capital Assets	0.1	0.1
<b>Total Expenses</b>	<u>\$ 17.5</u>	<u>\$ 17.1</u>

Source: Ministry of Labour Relations and Workplace Safety, 12-13 Annual Report

\* During 2012-13, the Ministry obtained additional funds totalling \$0.5 million through a special warrant.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- ▶ **The Ministry had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- ▶ **The Ministry complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Financial Administration Act, 1993*  
*The Government Organization Act*  
*The Human Resources, Labour and Employment Act*  
*The Labour Standards Act*  
*The Labour Standards Regulations, 1995 (Section 29 & 30)*  
*The Occupational Health and Safety Act, 1993*  
*The Public Service Act, 1998*  
*The Public Service Regulations, 1999*

*The Purchasing Act, 2004*  
*The Trade Union Act*  
*Regulations and forms, Labour Relations Board (Section 30)*  
*The Conciliation Board Regulations (Section 17)*  
*The Wages Recovery Act*  
*The Crown Employment Contracts Act*  
*The Tabling of Documents Act, 1991*  
 Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

Assessing the Ministry's rules and procedures to safeguard public resources includes assessing the design and effectiveness of the Ministry's control activities relating to revenue, payroll, payments, and financial reporting.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Procedures for Removal of User Access Followed

We recommended that the Ministry of Labour Relations and Workplace Safety follow its established procedures for removing user access to its computer systems and data in a timely manner. (2012 Report – Volume 2; the Public Accounts Committee has not yet reviewed this recommendation)

**Status** – Implemented

The Ministry now follows its established procedures for removing unneeded user access to its computer systems and data.

### 4.2 Shared Service Agreement in Place

We recommended that the Ministry of Labour Relations and Workplace Safety sign a shared service agreement with the Ministry of Advanced Education. (2011 Report – Volume 2; Public Accounts Committee agreement June 25, 2012)

**Status** – Implemented

The Ministry signed a shared service agreement with the Ministry of Advanced Education on March 20, 2013 that adequately sets out the roles and responsibilities of each party.

### 4.3 Adequate Disaster Recovery Agreement in Place

We recommended that the Ministry Labour Relations and Workplace Safety (formerly part of the Ministry of Advanced Education, Employment and Labour) sign an adequate agreement on disaster recovery of computer systems and data with the Information Technology Office. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented

The Ministry revised its memorandum of understanding (MOU) with ITO on January 10, 2013. The revised MOU specifies recovery time objectives for key Ministry systems.



## 4.4 Better IT Monitoring Needed

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We recommended that the Ministry of Labour Relations and Workplace Safety (formerly part of the Ministry of Advanced Education, Employment and Labour) monitor the effectiveness of the Information Technology Office's security controls to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Not Implemented

As previously reported and as with prior years, the Ministry is not receiving information from ITO regarding the effectiveness of ITO's security controls or how weaknesses at ITO could impact the Ministry's systems and data.

## Chapter 16

### North Sask. Laundry & Support Services Ltd.

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of the North Sask. Laundry & Support Services Ltd. (NSL) for the years ended March 31, 2012 and March 31, 2013.

NSL's financial statements for 2012 and 2013 are reliable and NSL complied with authorities governing its activities. However, NSL did not have effective rules and procedures during 2012 and 2013 to safeguard public resources.

NSL needs to establish effective policies for controlling payments to employees. It also needs to approve all changes to its accounting records and regularly reconcile bank balances to accounting records. Reconciling bank balances helps ensure that accounting records are complete and accurate. Also, the Board of NSL needs to obtain complete and accurate financial information to properly supervise NSL's operations.

During the year ended March 31, 2013, NSL hired a professional accountant. NSL also hired a chief financial officer in May 2013. These two professional accountants have begun to develop and implement effective controls to safeguard public resources.

#### 2.0 INTRODUCTION

NSL is a wholly-owned subsidiary of four regional health authorities (Prince Albert Parkland, Prairie North, Kelsey Trail, and Mamawetan Churchill River). It provides laundry services to these regional health authorities and other organizations in Saskatchewan.

For the year ended March 31, 2013, NSL had revenue of \$6.2 million (2012 - \$6.6 million), expenses of \$6.9 million (2012 - \$6.6 million), an operating deficit of \$0.7 million (2012 - nil), and held assets of \$6.0 million (2012 - \$7.1 million) at year end.

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with NSL's appointed auditor, MNP LLP, Chartered Accountants, using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

We previously reported that our work on NSL for the year ended March 31, 2012 was incomplete because management could not prepare annual financial statements. We have now completed our work for the years ended March 31, 2012 and March 31, 2013.

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



In our opinion, for the years ended March 31, 2012 and March 31, 2013:

- › North Sask. Laundry & Support Services Ltd. did not have effective rules and procedures to safeguard public resources as described in this chapter
- › North Sask. Laundry & Support Services Ltd. complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:

*The Saskatchewan Business Corporations Act, 1997*  
*The Regional Health Services Act*  
Orders in Council issued under the above legislation

- › North Sask. Laundry & Support Services Ltd. financial statements for each year are reliable

To do our work, we used the control framework developed by Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of NSL's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives. Our work consisted of review and evaluation of NSL's controls and the testing of such items as we considered necessary to form our opinions below.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Policies for Controlling Payments to Employees Needed

We recommended that North Sask. Laundry & Support Services Ltd. establish policies and procedures for controlling payments to its employees. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Partially Implemented

NSL has not established effective policies for controlling payments to its employees. NSL has approximately 80 employees. In 2013, NSL spent about \$3.6 million (2012 - \$3.6 million) on payroll.

As in the past, we noted several instances where employees did not sign their time sheets and their supervisors did not always leave evidence of their review and approval of time sheets. Time sheets determine employees' earnings and their benefit entitlement (e.g., vacations). Incorrect time sheets could result in incorrect payments to employees and inappropriate benefits.

At year-end, NSL manually prepared working papers showing each employee's benefits earned and benefits used. As a result, NSL was able to determine how much it owed to its employees for unused vacation pay and other benefits (e.g., banked time) at year-end.

## 4.2 Accurate and Complete Accounting Records Needed

We recommended that North Sask. Laundry & Support Services Ltd. maintain complete and accurate financial records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

During the year ended March 31, 2013, NSL hired a professional accountant. NSL also hired a chief financial officer in May 2013. The professional accounting staff made improvements to the financial accounting records during the year. However, we found that the weaknesses identified in the prior year continued to exist. For example, NSL did not reconcile its financial records for amounts others owed to NSL and amounts it owed to others until after year-end.

We recommended that North Sask. Laundry & Support Services Ltd. reconcile its recorded bank balances to the bank's records on a timely basis. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

NSL reconciled its recorded balances to the bank's accounting records. However, these reconciliations were not done on a timely basis. NSL needs to complete regular bank reconciliations on a timely basis to ensure that all transactions have been properly recorded and that the accounting records are accurate.

We recommended that North Sask. Laundry & Support Services Ltd. approve all journal vouchers. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

NSL management began reviewing and approving journal vouchers during the year. Lack of approval of journal vouchers increases the risk that errors and frauds may be perpetrated and concealed without detection.





### 4.3 Board Needs to Monitor Operations

We recommended that the Board of Directors regularly monitor operations of North Sask. Laundry & Support Services Ltd. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

The Board met regularly to discuss the operations of NSL. However, as described below, the Board did not receive complete, timely, and accurate information during the year.

We recommended that North Sask. Laundry & Support Services Ltd. provide its Board of Directors with accurate and timely interim financial reports. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

During the year, the Board did not receive interim financial reports on a timely basis. Because NSL did not maintain accurate and complete financial records until after March 31, 2013, the financial information that the Board received during the year was incomplete and incorrect.

Incorrect and incomplete financial statements could result in incorrect and inappropriate decisions by those who are responsible for monitoring operations and management's performance.

We recommended that North Sask. Laundry & Support Services Ltd. comply with its established delegation of authority. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

NSL has established a delegation of authority grid for purchasing goods and services and approving employee expenses. NSL complied with its delegation of authority for approval of transactions.

## Chapter 17

### Parks, Culture and Sport

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audits of the Ministry of Parks, Culture and Sport (formerly the Ministry of Tourism, Parks, Culture and Sport), its five agencies and two special purpose funds for the year ended March 31, 2013.

The Ministry of Parks, Culture and Sport (PCS), its funds, and agencies, complied with the authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. The 2013 financial statements of PCS' agencies and special purpose funds are reliable.

PCS, its agencies, and the Saskatchewan Snowmobile Fund had effective rules and procedures to safeguard public resources except for the following matter related to PCS.

Although PCS has made some progress in addressing our past recommendation, it needs to renew its agreement with its lotteries marketing agent and require the lotteries marketing agent to make payee lists available to PCS.

#### 2.0 INTRODUCTION

The mandate of PCS is to support, celebrate and build pride in Saskatchewan. PCS' strategic focus is on tourism enhancement, quality of life, and economic growth. It works with diverse groups and communities to enhance the province's cultural, artistic, recreational and social life; to promote excellence in the arts, culture, heritage and sport; and to support a vibrant and growing arts and cultural community. PCS supports and promotes Saskatchewan tourism, manages and enhances Saskatchewan's provincial parks system, conserves ecosystems and cultural resources, and provides recreational and interpretive opportunities for park visitors.<sup>1</sup>

#### 2.1 Financial Overview

For the year ended March 31, 2013, PCS spent \$99.8 million (2012 - \$102.6 million) including net capital acquisitions of \$9.2 million (2012 - \$9 million) (see **Figure 1**). Also, PCS recorded revenue of \$7.8 million (2012 - \$8.8 million) from lottery licencing fees and agreements with the federal government. In addition, PCS raised revenue and incurred expenses through the Commercial Revolving Fund.<sup>2</sup>

Information about PCS' revenues and expenses appear in its *2012-13 Annual Report*.<sup>3</sup>

<sup>1</sup> *Saskatchewan Provincial Budget: 2012-13 Estimates*, p.131.

<sup>2</sup> The Commercial Revolving Fund collects and distributes funds used in the operation of Saskatchewan's provincial parks.

<sup>3</sup> [www.pcs.gov.sk.ca/Annual-Report](http://www.pcs.gov.sk.ca/Annual-Report) (30 October 2013).



**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management Services	\$ 11.4	\$ 11.8
Tourism Initiatives	0.6	0.3
PCS	30.4	27.5
Building Communities Program	2.8	0.9
Culture	29.2	31.7
Heritage	8.9	9.0
Sport Recreation and Stewardship	4.4	4.4
Capital Commission Operations	8.2	6.0
Community Initiatives Fund	9.3	9.7
Regina Stadium Project*	—	5.0
<b>Total Appropriation</b>	<b>\$ 105.2</b>	<b>\$ 106.3</b>
Capital Asset Acquisitions	(11.8)	(9.2)
Capital Asset Amortization	2.9	2.7
<b>Total Expenses</b>	<b>\$ 96.3</b>	<b>\$ 99.8</b>

Source: 2012-13 Ministry of Parks, Culture and Sport Annual Report

\* The Ministry obtained additional funds of \$5.0 million through Supplementary Estimates.

## 2.2 Background

At March 31, 2013, PCS was responsible for the following special purpose funds, trusts, and Crown agencies (agencies). Each one has a March 31 year-end:

### Special Purpose Funds (Funds)

Commercial Revolving Fund  
Saskatchewan Snowmobile Fund

### Crown Agencies (Agencies)

Community Initiatives Fund  
Saskatchewan Arts Board  
Saskatchewan Heritage Foundation  
Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation  
Western Development Museum

## 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Virtus Group LLP, the appointed auditor, to carry out the audit of the Community Initiatives Fund and Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation (Trust Fund). We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>4</sup>

<sup>4</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

**In our opinion, for the year ended March 31, 2013:**

- ▶ **PCS, its agencies and the Saskatchewan Snowmobile Fund had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- ▶ **PCS, its funds and its agencies complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<i>The Active Families Benefit Act</i>	<i>The Natural Resources Act</i>
<i>The Arts Board Act, 1997</i>	<i>The Parks Act</i>
<i>The Arts Board Regulations</i>	<i>The Parks Regulations, 1991</i>
<i>The Culture and Recreation Act, 1993</i>	<i>The Regional Parks Act, 1979</i>
<i>The Economic and Co-operative Development Act - Sections 8 (a), 8(b), and 9(1)(e)</i>	<i>The Regional Parks Regulations</i>
<i>The Film Employment Tax Credit Act</i>	<i>The Saskatchewan Gaming Corporation Act (Part IV)</i>
<i>The Film Employment Tax Credit Regulations</i>	<i>The Snowmobile Act</i>
<i>The Heritage Property Act</i>	<i>The Snowmobile Regulations, 1998</i>
<i>The Interprovincial Lotteries Act, 1984</i>	<i>The Tourism Authority Act</i>
<i>The Interprovincial Lotteries Regulations, 1994</i>	<i>The Tourism Authority Regulations</i>
<i>The Meewasin Valley Authority Act</i>	<i>The Wakamow Valley Authority Act</i>
<i>The Ministry of Tourism, Parks, Sport, and Culture Regulations, 2007</i>	<i>The Wanuskewin Heritage Park Act, 1997</i>
<i>The Multiculturalism Act</i>	<i>The Western Development Museum Act</i>
	<i>The Government Organization Act</i>
	Orders in Council issued pursuant to the above legislation

▶ **The financial statements of the funds and agencies are reliable**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of PCS' controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audits, we examined the effectiveness of PCS' and its agencies' financial-related controls used to administer their spending, revenues, and various assets consistent with related authorities. In addition, we examined the effectiveness of the controls PCS uses to keep reliable financial records, prepare reliable financial reports, and safeguard the provincial parks that it administers. We also examined the processes used to oversee the lottery system and the Lottery Trust Fund for Sport, Culture and Recreation, and the Community Initiatives Fund. This year, we paid particular attention to the following areas:

- ▶ Processes surrounding revenue and payment systems
- ▶ Payment processes PCS used to provide financial support through operating grants to the Commercial Revolving Fund, Saskatchewan Arts Board, Saskatchewan Heritage Foundation, Saskatchewan Snowmobile Fund, and Western Development Museum
- ▶ Processes surrounding PCS' oversight of the lottery system and the Saskatchewan Lotteries Trust Fund for Sport, Culture and Recreation, and the Community Initiatives Fund



## 4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we outline key observations from our assessments and the resulting recommendation.

### 4.1 Amendment to Lottery Agreement Needed

We recommended that when the Ministry of Parks, Culture and Sport (formerly the Ministry of Tourism, Parks, Culture and Sport) renews its agreement with its lotteries marketing agent that the Ministry amend the agreement to require the lotteries marketing agent to make payee lists (e.g., employees and suppliers) available to the Ministry. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

Sask Sport Inc. (parent company of Saskatchewan Lotteries) is PCS' marketing agent for the marketing of lottery products in Saskatchewan and the administration of the Trust Fund. PCS indicated that it plans to renew its agreement with Sask Sport Inc. when the current agreement expires on March 31, 2014. The renewal is expected to include an amendment requiring its marketing agent to provide PCS with an annual payee listing of all money paid out of the Trust Fund.

## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Public Accounts Committee that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Parks, Culture and Sport (formerly the Ministry of Tourism, Parks, Culture and Sport) (Provincial parks capital asset planning) (2009 Report – Volume 3)</b>		
2011	18-1 that the Ministry of Parks, Culture and Sport include in its capital asset plan for the provincial parks system the projected future use levels for key capital assets (including assumptions and factors influencing trends) and a summary of capital asset risks for the projected use levels.	<b>Partially Implemented</b> (as of September 15, 2011)  We plan to do a follow-up in 2014.
2011	18-2 that the Ministry of Parks, Culture and Sport set out principles in its capital asset plan to guide how it operates and maintains key capital assets in the provincial parks system.	<b>Not Implemented</b> (as of September 15, 2011)  We plan to do a follow-up in 2014.
2011	18-3 that the Ministry of Parks, Culture and Sport include estimated life-cycle costs in its long-term capital asset plan for the provincial parks system.	<b>Not Implemented</b> (as of September 15, 2011)  We plan to do a follow-up in 2014.

## Chapter 18

# Regina Qu'Appelle Regional Health Authority

### 1.0 MAIN POINTS

This chapter reports that Regina Qu'Appelle Regional Health Authority (RQRHA) had reliable financial statements for the year ended March 31, 2013. RQRHA complied with authorities governing its activities and had effective processes to safeguard public resources except for four areas. It needs to establish an internal audit function, strengthen its information technology (IT) security, and establish and test a disaster recovery plan. In addition, RQRHA needs to improve its budgeting and financial reporting processes.

### 2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Services Act* created RQRHA. The Act makes RQRHA responsible for the planning, organization, delivery, and evaluation of health services in its health region or any other area that may be directed by the Minister of Health.

For the year ended March 31, 2013, RQRHA had revenues of \$970 million (comprised of operating fund revenues of \$953.0 million and capital fund revenues of \$17.0 million) and expenses of \$1,005.7 million (comprised of operating fund expenses of \$972.7 million and capital fund expenses of \$33.0 million). At March 31, 2013, RQRHA held assets totalling \$384.6 million.

RQRHA's financial statements are available in its 2012-13 Annual Report.

### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- › **RQRHA had effective rules and procedures to safeguard public resources except for the matters reported in this chapter**
- › **RQRHA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Critical Incident Regulations*  
*The Health Information Protection Act*  
*The Health Labour Relations Reorganization (Commissioner) Regulations*  
*The Housing and Special-care Homes Regulations*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Special-care Homes Rates Regulations, 2011*  
*The Trustee Act*  
*The Tabling of Documents Act*  
 The Regina Qu'Appelle Regional Health Authority Board Bylaws  
 Orders in Council issued pursuant to the above legislation

- › **RQRHA's financial statements are reliable**



We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the RHA's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Budgeting and Financial Reporting Processes Need Improvement

At the request of the Ministry of Health, we examined RQRHA's processes used for its 2013 budget preparation and financial reporting. We reported the results of this work in our *2013 Report – Volume 1*. We made six recommendations to help RQRHA strengthen its processes (see **Exhibit 5.1**). To give RQRHA time to address these recommendations, we plan to assess management's progress during our next audit.

### 4.2 Internal Audit Function Needed

We recommended that the Regina Qu'Appelle Regional Health Authority Board implement an internal audit function. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Not Implemented

Although the Board of Directors determined in 2005 that an internal audit function is needed, RQRHA has not yet established an internal audit function.

An internal auditor could provide assurance to the Board and senior management on the effectiveness of management processes and staff compliance with established policies and procedures. The internal audit function could also provide assurance on the effectiveness of IT security controls to protect patient systems and data.

### 4.3 IT Security Needs Strengthening

We recommended that the Regina Qu'Appelle Regional Health Authority adequately protect its information technology systems and data. 2009 Report - Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Partially Implemented

RQRHA has documented some information technology (IT) security policies and procedures (e.g., granting access and defining password requirements). However, RQRHA does not always follow its procedures for removing unneeded user accounts on a timely basis. Also, RQRHA has not yet completely updated and monitored its computer equipment on a timely basis to protect against security risks.

Lack of compliance with security processes could compromise the confidentiality, integrity, and availability of RQRHA's IT systems and data.

#### 4.4 Establishment and Testing of Disaster Recovery Plan Needed

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Partially Implemented

RQRHA relies on IT systems and data to support the delivery of patient care. The primary function of a disaster recovery plan is to rebuild key IT capability after a major disaster or other interruption.

RQRHA has identified some staff roles and responsibilities related to disaster recovery. It has also documented recovery time objectives for key systems and identified the need for an alternate computer facility. However, it does not have a complete plan that identifies how to restore its IT systems and data. Once it has developed a complete plan, RQRHA needs to test the plan to assess its effectiveness.

eHealth Saskatchewan (eHealth) has a close working relationship with RQRHA and provides RQRHA with some IT services. To have a robust disaster recovery plan, RQRHA must ensure that its service provider, eHealth, also has a robust recovery plan. Accordingly, the adequacy of RQRHA's recovery plan very much depends on the adequacy of the recovery plan of eHealth.

#### 4.5 Human Resources Planning Improved

We recommended that the Regina Qu'Appelle Regional Health Authority improve its human resource planning processes by:

- › Analyzing the extent of its workforce gaps and estimate their future impact on service delivery
- › Monitoring human resource risks at least quarterly using key performance measures.

(2009 Report - Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Implemented





During 2012-13, RQRHA completed its workforce plan. This plan identified short-, medium-, and long-term human capital risks and set out priorities to address the key human resource risks. The workforce plan is supported by an analysis of employee characteristics such as age, expected age at retirement, diversity, and average turnover rates. For example, the workforce plan sets out, by category, the number of current positions, and the projection of new hires and employees leaving RQRHA over the next few years, and over the long term.

On a quarterly basis, RQRHA reports to the Board on its workforce plan. The reports include information on the workforce plan's indicators and measures, and provide baseline measures and quarterly results on indicators such as external turnover and sick time hours per full time equivalent employee.

## 5.0 EXHIBITS

### 5.1 Recommendations to Strengthen Budgeting and Financial Reporting Processes

This exhibit lists the recommendations relating to RQRHA's processes used for its 2013 budget preparation and financial reporting as reported in our *2013 Report – Volume 1*.

- ▶ We recommended that the Board of Directors of the Regina Qu'Appelle Regional Health Authority review and approve future budgets on a timely basis
- ▶ We recommended that Regina Qu'Appelle Regional Health Authority provide the Board of Directors reliable monthly financial reports that include reasonable and supportable projections of year-end results
- ▶ We recommended that Regina Qu'Appelle Regional Health Authority include in its monthly financial reports to the Board of Directors complete reasons for differences between the year to date budgeted and actual expenses
- ▶ We recommended that Regina Qu'Appelle Regional Health Authority develop action plans to address projected operating deficits and provide a formal plan to the Board of Directors for approval
- ▶ We recommended that the Board of Directors of the Regina Qu'Appelle Regional Health Authority perform regular, timely, and thorough reviews of financial reports
- ▶ We recommended that Regina Qu'Appelle Regional Health Authority request the Ministry of Health to appoint individuals to the Board of Directors with financial expertise necessary to assess financial reports

## 5.2 Status of Previous Recommendations of the Standing Committee on Public Accounts

This exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed earlier in this chapter. Our intent is to follow up outstanding recommendations in the future.

PAC Report Year	Outstanding Recommendation	Status
<b>Capital Equipment Plans</b> (2001 Fall Report – Volume 2)		
2002	6D-1 that all regional health authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector.	<b>Partially Implemented</b> (as of August 31, 2012)



## Chapter 19

### Regional Health Authorities

#### 1.0 MAIN POINTS

This chapter reports the results of our audits for 10 of the 12 regional health authorities (RHAs). Chapters 18 and 23 report the results of our audits for the other two RHAs—Regina Qu'Appelle RHA and Saskatoon RHA, respectively.

Two Northern RHAs—Mamawetan Churchill River and Keewatin Yatthé—need to do more to safeguard public resources.

Mamawetan Churchill River needs to establish processes to control excessive overtime hours, properly document medicines administered to patients, and ensure that staff only administer medicines to registered patients. Keewatin Yatthé needs to better protect its IT systems and data, control its capital assets, and ensure salary payments are based on properly approved timecards.

Most RHAs continue to make progress towards addressing our past recommendations. However, a few RHAs have not yet addressed some of the recommendations we first made three years ago. These recommendations relate to controlling bank accounts and protecting IT systems and data.

All RHAs except for Prince Albert Parkland (PA Parkland) and Keewatin Yatthé complied with authorities governing their activities. PA Parkland and Keewatin Yatthé each did not have a written agreement, as the law expects, for providing funding to other healthcare organizations.

Cypress, Five Hills, Heartland, Prairie North, PA Parkland, and Sun Country RHAs need to follow Canadian generally accepted accounting principles for the public sector (Canadian GAAP) to prepare their financial statements. Because they did not follow Canadian GAAP, their 2013 financial statements contained significant errors. Kelsey Trail, Keewatin Yatthé, Mamawetan Churchill River, and Sunrise had reliable 2013 financial statements.

#### 2.0 INTRODUCTION

*The Regional Health Services Act (Act)*, makes the 12 RHAs responsible for the planning, organization, delivery, and evaluation of health services in their respective health regions.

**Figure 1** lists the 10 RHAs discussed in this chapter and their appointed auditors. Chapters 18 and 23 report the results of our audits of Regina Qu'Appelle RHA and Saskatoon RHA, respectively.

The annual report of each RHA includes its 2013 financial statements. The 2013 financial statements of the 10 RHAs included in this chapter and listed in **Figure 1** had revenues and expenses totalling \$1.4 billion (2012 – \$1.3 billion) and \$1.4 billion (2012 – \$1.3



billion), respectively and held assets totalling \$0.7 billion (2012 – \$0.7 billion) at the year-end.

To complete our audits, we worked with each of the RHAs' appointed auditors using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>1</sup>

For Mamawetan Churchill River, we did additional work to assess its processes for the documentation of medication administered to patients. Our work consisted of observation and discussion with management and staff at Mamawetan Churchill River, and testing of selected procedures.

**Figure 1 – Regional Health Authority and Appointed Auditor**

Regional Health Authority	Appointed Auditor (at March 31, 2013)
Cypress	Stark & Marsh
Five Hills	Virtus Group LLP
Heartland	KPMG LLP
Kelsey Trail	Neupath Group, PC Inc.
Keewatin Yatthé	MNP LLP
Mamawetan Churchill River	Deloitte LLP
Prairie North	Menssa Baert Cameron Odishaw La Cock
Prince Albert Parkland (PA Parkland)	MNP LLP
Sun Country	Virtus Group LLP
Sunrise	Parker Quine LLP

### 3.0 AUDIT CONCLUSIONS AND FINDINGS

**In our opinion, for the year ended March 31, 2013:**

- ▶ **Each of the 10 regional health authorities listed in Figure 1 had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- ▶ **Each of the 10 regional health authorities listed in Figure 1 complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matter described in this chapter:**

*The Critical Incident Regulations*  
*The Health Information Protection Act*  
*The Health Labour Relations Reorganization (Commissioner) Regulations*  
*The Housing and Special-care Homes Regulations*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Special-care Homes Rates Regulations, 2011*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
Each RHA's Bylaws  
Orders in Council issued pursuant to the above legislation

<sup>1</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

- › The financial statements for Kelsey Trail, Keewatin Yatthé, Mamawetan Churchill River, and Sunrise are reliable. The financial statements for Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country contained significant errors as described in Section 4.1

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Proper Accounting for Healthcare Facilities under “Shared Ownership” Agreements Needed

The 2013 financial statements for six RHAs—Cypress, Five Hills, Heartland, Prairie North, Prince Albert Parkland, and Sun Country (the listed RHAs)—were not prepared in accordance with Canadian GAAP. Use of Canadian GAAP is necessary so that RHAs account for the cost of their programs and decisions accurately, and so that the citizens of the province receive correct financial information.

Canadian GAAP requires that agencies record transactions to reflect their substance rather than their legal form. The listed RHAs did not correctly account for healthcare facilities under “shared ownership” agreements resulting in significant errors in their 2013 financial statements. See Chapter 1—Public Accounts—General Revenue Fund and Chapter 11—Health for further discussion.

Because the listed RHAs did not do so, their 2013 financial statements cumulatively understate their capital assets and their revenue by \$37.6 million. Each of the listed RHAs’ appointed auditors issued a qualified audit opinion<sup>2</sup> on the listed RHA’s 2013 financial statements.

1. We recommend that Cypress Regional Health Authority, Five Hills Regional Health Authority, Heartland Regional Health Authority, Prairie North Regional Health Authority, Prince Albert Parkland Regional Health Authority, and Sun Country Regional Health Authority follow Canadian generally accepted accounting principles for the Public Sector to prepare their financial statements.

<sup>2</sup> An auditor expresses a qualified opinion when the auditor, having obtained appropriate audit evidence, concludes that misstatements, individually or in aggregate, are material, but not pervasive, to the financial statements.



## 4.2 Agreements with Healthcare Organizations Needed—PA Parkland and Keewatin Yatthé

PA Parkland needs to comply with *The Regional Health Services Act* (the Act) to provide funding to its designated healthcare organizations (HCO).<sup>3</sup>

PA Parkland uses various HCOs to provide healthcare services to residents. Section 33.1(2) of the Act does not allow RHAs to provide funding to HCOs without written agreements. PA Parkland has written agreements with most of its HCOs. However, we found that in 2012-13, PA Parkland provided \$80,466 to one HCO without a written agreement. Accordingly, PA Parkland did not comply with the Act.

**2. We recommend that Prince Albert Parkland Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.**

Keewatin Yatthé needs to comply with the Act when providing funding to a healthcare organization that is not a designated HCO.

The Act allows RHAs to enter into written agreements respecting the provision of health services with organizations that are not designated HCOs. However, the Act does not allow RHAs to make any payments or provide any funding to any HCO without a written agreement with such organization.

We noted that in 2012-13 Keewatin Yatthé provided about \$30,000 to a healthcare organization without a written agreement. Accordingly, Keewatin Yatthé did not comply with the Act.

**3. We recommend that Keewatin Yatthé Regional Health Authority comply with *The Regional Health Services Act* when providing funding to healthcare organizations in the region.**

## 4.3 Proper Support and Approval for Staff Overtime Needed—Mamawetan Churchill River

Mamawetan Churchill River needs to better control overtime pay resulting from its use of call backs.<sup>4</sup>

Nursing staff are generally assigned an eight-hour shift daily. Under the collective bargaining agreement, nursing staff who are asked to return to work after their assigned

<sup>3</sup> Designated organizations mean affiliates or other prescribed organizations that operate special care homes designated pursuant to *The Facility Designation Regulations*.

<sup>4</sup> Based on the Collective Agreement between the Saskatchewan Association of Health Organizations and the Saskatchewan Union of Nurses 2012-2014, a call back is when an employee is brought back to duty during a stand by duty period. The employee shall be deemed to be working overtime for the time worked with a guaranteed minimum payment of two hours on each occasion of call back.

shift is over are paid for at least two hours at overtime rates even if they spend less time than that when attending a patient. This minimum payment compensates nursing staff for the inconvenience of returning to duty when they have already completed their assigned shift and left the facility.

While Mamawetan Churchill River must adhere to the collective bargaining agreement, it must have a process to control the excessive use or potential misuse of nursing call backs. It must also ensure supervisors know when and why nursing staff are called back.

In 2012-13, Mamawetan Churchill River paid \$337,000 in overtime due to call backs. We noted instances where some nursing staff were paid for multiple call backs on the same day. For example, some nursing staff received up to 35 hours of overtime weekly or 180 hours monthly due to call backs. We found that Mamawetan Churchill River did not have a process to monitor the use of call backs such as requiring its supervisors to know when or why nursing staff were called back.

Excessive and frequent call backs could impact nursing staff performance which could result in a less-than-desired level of patient care.

4. We recommend that Mamawetan Churchill River Regional Health Authority establish a process to control overtime costs resulting from calling staff back to work to provide healthcare services outside their assigned shifts.

#### **4.4 Proper Documentation of Medicines Administered to Patients Needed—Mamawetan Churchill River**

Mamawetan Churchill River needs to ensure its staff document in patient files who prescribed medicines for patients and why.

As we stated earlier, we did additional work to examine Mamawetan Churchill River's processes to manage and administer medicine in its Sandy Bay clinic. The clinic must administer drugs as prescribed by physicians to patients registered in the clinic (in-patients).

Hospitals/clinics require the use of medication for in-patients. From pain management to the treatment of a wide range of illnesses, medication plays a vital role in the provision of healthcare services. Some medications available in healthcare facilities are highly addictive and potentially dangerous drugs that have a high 'street' value. It is therefore important that healthcare facilities have proper controls for the safekeeping and administration of such drugs.

We found that Mamawetan Churchill River had effective processes to control and manage the supply of addictive medications. It keeps a manual perpetual inventory record of such drugs and counts them weekly to ensure the physical drug count matches (reconcile) the perpetual records. It maintains documentation of this reconciliation and we noted no discrepancies in those reconciliations.





However, we noted many instances where staff could not provide us with evidence that physicians had prescribed the drug that the staff administered to patients. Also, in some instances, staff could not show that the patient receiving the drug was registered in the clinic.

Lack of proper documentation supporting medication administered to patients increases the risk that drugs may be misappropriated or misused without timely detection.

**5. We recommend that Mamawetan Churchill River Regional Health Authority establish a process to ensure its staff properly document in patient files who prescribed the medication administered.**

**6. We recommend that Mamawetan Churchill River Regional Health Authority establish processes to ensure medications are only administered to patients who have been registered in its healthcare facilities.**

## **4.5 Review and Approval of Financial Records Needed—Mamawetan Churchill River**

Mamawetan Churchill River needs to establish processes to review and approve all changes to its financial records.

Mamawetan Churchill River does not have processes to review and approve key financial procedures. For example, we found that Mamawetan Churchill River did not always review and approve all monthly reconciliations of recorded bank balances to bank records or all changes to master files. Nor did it review and approve all changes to its financial records (journal entries).

Lack of review and approval of key financial procedures could result in inaccurate financial information and increase the risk of fraud and errors. Inaccurate financial information could result in improper or inaccurate financial decisions by senior management and the Board.

**7. We recommend that Mamawetan Churchill River Regional Health Authority establish a process to review and approve all key financial procedures (e.g., bank reconciliations, journal entries).**

## 4.6 Salary Payments Based on Approved Timecards Needed—Keewatin Yatthé, Prairie North, and PA Parkland

Keewatin Yatthé needs to follow its established procedures when making payments to its employees.

Keewatin Yatthé's established procedures require supervisors to approve employee timecards for hours worked. However, supervisors did not always approve employee timecards and payroll staff processed timecards without ensuring that they had evidence of supervisory approval.

Employee timecards are used to determine pay and benefits such as vacation time earned. Inaccurate timecards could result in inaccurate payroll and benefits. We found many instances of timecard errors. Such errors resulted in incorrect payments to employees.

### 8. We recommend that Keewatin Yatthé Regional Health Authority follow its processes to pay its employees based on properly approved timecards.

We recommended that Prairie North Regional Health Authority follow its processes to control bank accounts when making payments to employees. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Not Implemented

We found that employees of Prairie North continued to ignore its established processes. Supervisors did not always approve employee timecards. Nor did payroll staff always ensure that the timecards were approved prior to payroll processing. Lack of approved timecards could result in inaccurate payroll and benefits.

We recommended that Prince Albert Parkland Regional Health Authority follow its established processes to control its bank accounts. (2009 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

During the audit, we did not find any instances where PA Parkland employees' timecards were not approved prior to payroll processing.



## 4.7 Protection of IT Systems and Data Needed— Mamawetan Churchill River, Keewatin Yatthé, Prairie North, PA Parkland, and Heartland

We recommended that Mamawetan Churchill River Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 26, 2005)

**Status** – Not Implemented

Mamawetan Churchill River needs to establish policies and procedures for timely identification and removal of user access for those who no longer need access to its information technology (IT) systems and data. Also, it needs to update its computer software systems on a timely basis for known security risks.

We recommended that Keewatin Yatthé Regional Health Authority improve its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Not Implemented

During the year, Keewatin Yatthé hired an individual to help improve security and availability of its IT systems and data.

We recommended that Prairie North Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Partially Implemented

During the year, Prairie North has made good progress. However, it needs to improve its procedures to ensure timely removal of users who no longer need access to its IT system and data. Also, managers should regularly monitor and remove inactive user accounts.

We recommended that Prince Albert Parkland Regional Health Authority follow its processes to grant and remove user access to its IT systems and data. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Not Implemented

For the year, we found 11 instances where PA Parkland did not follow its processes and did not remove, on a timely basis, user access to its IT systems for the individuals who no longer worked for it.

Non-compliance with established policies increased the risk of inappropriate and unauthorized changes to IT systems and data.

We recommended that Heartland Regional Health Authority adequately protect its information technology systems and data. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Not Implemented

During the year, Heartland has done some work to improve the confidentiality, integrity, and availability of its IT systems and data. However, Heartland still needs to improve its processes to ensure timely removal of access to its IT systems and data for those who no longer need it. Also, it needs to establish processes to monitor system administration activity and to ensure IT equipment is secure and protected.

## 4.8 Disaster Recovery Plan and Testing Needed— Heartland, Mamawetan Churchill River, Cypress, Sunrise, and Sun Country

We recommended that all regional health authorities establish disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Not Implemented

During 2013, we reassessed each RHA's disaster recovery planning. We concluded that Five Hills, Keewatin Yatthé, Kelsey Trail, PA Parkland, and Prairie North had complete and tested disaster recovery plans (DRPs).

Heartland did not have an updated and tested DRP. Mamawetan Churchill River, Cypress, Sunrise, and Sun Country each need to complete documenting their DRPs and test them to assess their effectiveness.

Not having up-to-date and tested DRPs increases the risk that systems and data may not be available when needed. To have a robust disaster recovery plan, RHAs must work with their service provider, eHealth.



## 4.9 Support Needed for Internal Audit Function— Prairie North

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We recommended that Prairie North Regional Health Authority assess the need for an internal audit function. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Not Implemented

In August 2013, the Board of Directors determined that Prairie North did not need an internal audit function. However, management did not provide us its current comprehensive assessment (costs and benefits) that should have been considered by the Board in coming to this decision.

An internal audit function could provide assurance to the Board and senior management that the control systems (such as processing of approved timecards) work properly.

## 4.10 Better Control of Capital Assets Needed—Keewatin Yatthé

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We recommended that Keewatin Yatthé Regional Health Authority count its capital assets and agree its capital asset records to its accounting record regularly. (2008 Report – Volume 3; Public Accounts Committee agreement December 8, 2008)

**Status** – Not Implemented

During the year, Keewatin Yatthé made no progress to address this recommendation.

Keewatin Yatthé has \$23 million in capital assets. Because it does not count its assets and compare them with its capital asset records, it does not know if all of its capital assets exist or if its accounting records are accurate. Inaccurate capital asset records could result in wrong decisions about equipment purchases and disposals.

## 4.11 Segregation of Certain Duties Improving—Cypress

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We recommended that Cypress Regional Health Authority adequately segregate duties of its staff working with its financial accounting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

During the year, Cypress made some changes but some employees continue to have access to the financial accounting system that allows them to both enter and approve transactions. Lack of segregation of incompatible duties increases the risks of errors and fraud without ready detection.

We recommended that Kelsey Trail Regional Health Authority adequately segregate duties of its staff working with its financial accounting system. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During the year, Kelsey Trail adequately segregated duties of its staff working with its financial accounting system.

## 4.12 Compliance with Legislation—Keewatin Yatthé

We recommended that Keewatin Yatthé Regional Health Authority deposit money received from residents of its special-care homes in a designated trust account as required by *The Housing and Special-care Homes Regulations* under *The Regional Health Services Act*. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Keewatin Yatthé now deposits cash received from residents for safekeeping in a designated residents' trust account as required by the law.

## 4.13 Payroll Advances Account Reconciled—Keewatin Yatthé

We recommended that Keewatin Yatthé Regional Health Authority regularly reconcile its payroll advances accounts to its accounting records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During the year, Keewatin Yatthé reconciled its payroll advances accounts to its accounting records. At year-end, this reconciliation was up to date.



## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed in this chapter. Our intent is to follow up outstanding recommendations in the future.

PAC Report Year	Outstanding Recommendation	Status
<b>Capital Equipment Plans ( 2001 Fall Report – Volume 2)</b>		
2002	6D-1 that all Regional Health Authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector.	<b>Not Implemented</b> (as of October 31, 2012)
<b>Heartland Regional Health Authority ( 2009 Report – Volume 3)</b>		
2011	10D-1 that Heartland Regional Health Authority document its procedures to remove confidential information during disposal of information technology and communications equipment.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	10D-3 that Heartland Regional Health Authority regularly verify that its procedures to remove sensitive information from information technology and communications equipment are effective.	<b>Partially Implemented</b> (as of August 31, 2012)
<b>Cypress Regional Health Authority ( 2008 Report – Volume 3)</b>		
2009	10D-2 that Cypress Regional Health Authority monitor the security of its information technology systems and data.	<b>Partially Implemented</b> (as of August 31, 2012)
2009	10D-4 that Cypress Regional Health Authority configure its computer systems and data to protect them from external threats including theft or loss.	<b>Partially Implemented</b> (as of August 31, 2012)
2009	10D-6 that Cypress Regional Health Authority complete, approve, and test its disaster recovery plan.	<b>Partially Implemented</b> (as of August 31, 2012)
<b>Kelsey Trail Regional Health Authority ( 2010 Report – Volume 2)</b>		
2011	11C-2 that the Kelsey Trail Regional Health Authority maintain all equipment in accordance with the required standards.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	11C-6 that the Kelsey Trail Regional Health Authority maintain a complete and current list of all medical equipment, its location, and its maintenance record.	<b>Partially Implemented</b> (as of August 31, 2012)
2011	11C-7 that the Kelsey Trail Regional Health Authority provide reports to the Board of Directors and senior management on the state of medical equipment at all of its healthcare facilities.	<b>Partially Implemented</b> (as of August 31, 2012)

## Chapter 20

# Saskatchewan Crop Insurance Corporation

### 1.0 MAIN POINTS

The Saskatchewan Crop Insurance Corporation (SCIC) provides Saskatchewan producers with insurance and financial support programs. These programs include Crop Insurance, AgriStability, and Wildlife Damage Compensation. SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund).

SCIC's financial statements and the Reinsurance Fund's financial statements for the year ended March 31, 2013 are reliable. Also, SCIC and the Reinsurance Fund complied with authorities governing their activities related to financial reporting, safeguarding resources, revenue raising, spending, and investing.

In 2013, SCIC had effective rules and procedures to safeguard public resources except that it did not have effective processes to estimate its liability for unpaid AgriStability benefits at year-end. SCIC needs to work with the Ministry of Agriculture to ensure that these estimates are reasonable, consistent, and current.

### 2.0 INTRODUCTION

SCIC administers the AgriInsurance (Crop Insurance) and the AgriStability programs under the authority of *The Saskatchewan Crop Insurance Corporation Act*. SCIC also administers the Wildlife Damage Compensation Program on behalf of the Saskatchewan Ministry of Agriculture (Ministry). The costs for these programs are shared between the producers and both the Government of Saskatchewan and the Government of Canada in accordance with the rules set out in the *Growing Forward: A Federal-Provincial – Territorial Framework Agreement on Agriculture, Agri-food and Agri-based Products Policy* (known as the Growing Forward Agreement). These three programs are described below:

- ▶ The Crop Insurance program provides producers with insurance for crop losses due to weather-related and other natural perils. The program guarantees a minimum crop yield and quality of grain to agricultural producers, subject to specific insurance decisions made by each producer.
- ▶ The AgriStability program, created under the Growing Forward Agreement, provides support to producers who experience large income losses (i.e., an income-based support program).<sup>1</sup>
- ▶ The Wildlife Damage Compensation Program provides producers with crop damage compensation, predation compensation, and prevention. Financial reporting for this program is included in the financial statements of the Saskatchewan Agricultural Stabilization Fund reported by the Ministry.

<sup>1</sup> Saskatchewan Crop Insurance Corporation *Annual Report 2011-12*, p. 7.





SCIC also manages the Crop Reinsurance Fund of Saskatchewan (Reinsurance Fund). The Reinsurance Fund receives premiums from SCIC and pays SCIC based on formulas established under the Growing Forward Agreement.

SCIC's head office is located in Melville with 21 customer service offices in communities throughout the province.<sup>2</sup> It employs over 500 staff; approximately one-half of SCIC's staff are based out of its head office.

## 2.1 Financial Overview

At March 31, 2013, SCIC held assets of \$694 million (2012 - \$472 million). For the year ended March 31, 2013, SCIC had revenue of \$1,027 million (2012 - \$656 million), expenses of \$928 million (2012 - \$684 million), and an annual surplus of \$99 million (2012 - deficit of \$28 million).

For the year ended March 31, 2013, the Reinsurance Fund had revenue of \$39 million (2012 - \$25 million) and had an accumulated surplus of \$123 million (2012 - \$84 million).

Each year SCIC provides the Legislative Assembly with its annual report including its and the Reinsurance Fund's audited financial statements. The annual report can be found on SCIC's website.<sup>3</sup>

## 3.0 AUDIT CONCLUSIONS AND FINDINGS

Our Office worked with KPMG LLP, the appointed auditor, to carry out the audits of the SCIC and the Reinsurance Fund. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>4</sup>

**In our opinion, for the year ended March 31, 2013:**

- ▶ **SCIC had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- ▶ **SCIC complied with the following authorities governing its and the Reinsurance Fund's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Saskatchewan Crop Insurance Corporation Act*  
*The Crop Insurance Regulations*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation  
*Growing Forward: A Federal-Provincial-Territorial Framework Agreement on Agriculture, Agri-Food and Agri-Based Products Policy*

- ▶ **The financial statements of SCIC and the Reinsurance Fund are reliable**

<sup>2</sup> Saskatchewan Crop Insurance Corporation *Annual Report 2011-12*, p. 6.

<sup>3</sup> [www.saskcropinsurance.com](http://www.saskcropinsurance.com) (22 October 2013).

<sup>4</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

### 3.1 Year-end Estimate Process Needs Refinement

We recommended that the Saskatchewan Crop Insurance Corporation work with the Ministry of Agriculture to develop processes to ensure that the annual fiscal year-end estimates for AgriStability program benefits are reasonable, consistent, and current. (2013 Report – Volume 1, Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

For the AgriStability program, the deadline for producers to submit program forms is September 30, which is after SCIC's March 31 year-end. Therefore, at March 31, 2013, SCIC had complete information for only a few producers. For this reason, its year-end liability includes an estimate of the amount of benefit payments owing at year-end of \$247 million.<sup>5</sup>

SCIC continues to rely on Agriculture and Agri-food Canada (AAFC) for its March estimate. AAFC's estimate provides an amount specific to Saskatchewan as of December 31. AAFC bases this December estimate on an economic forecast of the overall condition of the farming industry in Canada and in Saskatchewan, and on assumptions for items such as grain prices and quantities and prices of farming inputs.

SCIC and the Ministry work together to review the reasonableness of AAFC's forecast of the total AgriStability benefits for each program year for the province. They also approve the final estimate for Saskatchewan's total AgriStability benefits.

Since the inception of the AgriStability program, SCIC's March 31 estimates have fluctuated significantly, in part, because of deficiencies in SCIC's processes to make these estimates. For example, SCIC's March 31, 2011 financial statements included an adjustment for the 2009 program year of \$98 million (decrease of the expense). Furthermore, SCIC also adjusted its March 31, 2012 financial statements by increasing its expense by \$25 million for the 2009 program year. SCIC adjusted its March 31, 2012 financial statements by decreasing its expense by \$25 million related to the 2010 program year.

In addition to SCIC using the estimated AgriStability program benefits to calculate its AgriStability expense for its financial statements at its March 31 year-end, the Ministry uses SCIC's estimate to calculate its share of the program benefits and to complete the schedules required for completion of the General Revenue Fund financial statements. SCIC and the Ministry both need information that is consistent and reflects the most current information available.

Without good processes to estimate the AgriStability liability and expenses, there is a risk that SCIC's financial statements and Saskatchewan's General Revenue Fund financial statements and Summary Financial Statements may not be correct. SCIC needs to work with the Ministry to ensure its processes accurately estimate the expenses and liability at March 31 each year.

<sup>5</sup> For more details regarding the AgriStability program and the estimation process, see our *2013 Report – Volume 1*, Chapter 7.



## Chapter 21

### Saskatchewan Indian Gaming Authority Inc.

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Saskatchewan Indian Gaming Authority Inc. (SIGA) for the year ended March 31, 2013.

To help it recover critical business functions in the event of a disaster, SIGA must assess the need for a business continuity plan that would include emergency preparedness planning for all of its casinos. SIGA must better protect its information technology (IT) systems and data including appropriately segregating the duties of staff and periodically reviewing user access to its IT systems and data. SIGA also needs to strengthen its human resource plan by including a projection of its future human resource requirements. This information would assist SIGA in obtaining the right people to help it carry out its strategic plan.

SIGA's 2013 financial statements are reliable and it complied with the authorities governing its activities.

#### 2.0 INTRODUCTION

SIGA is a non-profit corporation established under *The Non-profit Corporations Act, 1995*. The members of SIGA are the Federation of Saskatchewan Indian Nations (FSIN), the Tribal Councils of Saskatchewan, and independent First Nations. The Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) licenses SIGA to operate six casinos located on First Nations reserves. SIGA's casinos provide table games, slot machines, and other hospitality services (ancillary operations) to the public. The casinos are:

- › Northern Lights Casino (Prince Albert)
- › Gold Eagle Casino (North Battleford)
- › Painted Hand Casino (Yorkton)
- › Bear Claw Casino (White Bear First Nation)
- › Dakota Dunes Casino (Whitecap Dakota First Nation)
- › Living Sky Casino (Swift Current)

In 2002, the Government of Saskatchewan and the FSIN signed the 2002 Framework Agreement (Framework Agreement) effective from June 11, 2002 to June 11, 2027. The Framework Agreement allows the development and operation of casinos in Saskatchewan within the parameters of the *Criminal Code*. As required by the *Criminal Code* (Canada) (Section 207), Liquor & Gaming owns the slot machines located in SIGA's casinos. Accordingly, Liquor & Gaming is responsible for the overall conduct and management of the slot machines in those casinos. The revenue from the slot machines belongs to Liquor & Gaming and is determined based on the Casino Operating Agreement.<sup>1</sup>

<sup>1</sup>Liquor & Gaming and SIGA signed a Casino Operating Agreement effective from June 11, 2002 to June 11, 2027. Under the Casino Operating Agreement, Liquor & Gaming allows SIGA to deduct from slot machine revenues reasonable costs incurred in accordance with the operating policies approved by Liquor & Gaming.



## 2.1 Financial Overview

SIGA's casino operations include slot machines, ancillary operations (i.e., gift shops, restaurants, lounges, and a hotel), and table games operations. **Figure 1** shows the net casino profits SIGA made during the last five years.

**Figure 1 – SIGA Financial Results for the Five-year Period from 2009 to 2013**

Year Ended March 31	2013	2012	2011	2010	2009
	(in millions)				
Slot operations profit	\$ 99.5	\$ 92.2	\$ 80.1	\$ 75.5	\$ 78.7
Ancillary operations loss	(10.0)	(7.5)	(11.8)	(11.5)	(9.4)
Table games operations loss	(3.0)	(3.0)	(4.2)	(3.8)	(2.1)
Distributable net profit	86.5	81.7	64.1	60.2	67.2
Unrealized gain (loss) on interest rate swaps	0.3	(2.5)	0.3	4.9	(7.3)
<b>Net casino profit</b>	<b>\$ 86.8</b>	<b>\$ 79.2</b>	<b>\$ 64.4</b>	<b>\$ 65.1</b>	<b>\$ 59.9</b>

Source: 2008-08 to 2012-13 Saskatchewan Indian Gaming Authority Annual Reports

## 3.0 AUDIT CONCLUSIONS AND SCOPE

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of SIGA. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>2</sup>

**In our opinion, for the year ended March 31, 2013:**

- » **SIGA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- » **SIGA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Non-profit Corporations Act, 1995*  
*The Non-profit Corporations Regulations, 1997*  
*The Alcohol and Gaming Regulation Act, 1997*  
*The Gaming Regulations, 2007*  
*Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*  
*Proceeds of Crime (Money Laundering) Suspicious Transactions Reporting Regulations (Canada)*  
 2002 Framework Agreement (June 11, 2002)  
 2002 Casino Operating Agreement (June 11, 2002)  
 Terms and Conditions for SIGA Table Games (issued by Indigenous Gaming Regulators Inc.)  
 SIGA Slot Machine Operating Procedures and Directives (issued by Liquor & Gaming)  
 SIGA Operating Policies and Directives (issued by Liquor & Gaming)  
 SIGA Bylaws

- » **SIGA had reliable financial statements**

<sup>2</sup>See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of SIGA's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined the effectiveness of SIGA's financial-related controls used to administer its revenues, expenses, assets and liabilities. Also, we examined the effectiveness of the controls used to keep reliable financial records and prepare reliable financial reports.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Business Continuity Plan Assessment Needed

We recommended that Saskatchewan Indian Gaming Authority Inc. prepare a complete disaster recovery plan and assess the need for a business continuity plan. (2008 Report – Volume 3; Public Accounts Committee agreement March 11, 2009)

**Status** – Partially Implemented

SIGA places significant reliance on its IT systems to operate. During 2012-13, SIGA completed its disaster recovery plan for its IT systems and tested the plan. However, SIGA had not assessed the requirements for a business continuity plan (BCP) that would include emergency preparedness planning for all of its casinos. A BCP would help SIGA recover critical business functions in the event of a disaster.

### 4.2 Human Resource Plan Needs Improvement

We recommended that Saskatchewan Indian Gaming Authority Inc. complete and implement its human resource plan. (2003 Report – Volume 3; Public Accounts Committee agreement June 29, 2004)

**Status** – Partially Implemented

In 2012-13, SIGA approved a project plan outlining key actions to formalize its workforce planning process. SIGA plans to complete its workforce planning in 2013-14.

However, SIGA has not yet finalized or implemented its previously developed draft 2009-2014 human resource plan. Also, the draft plan did not include a projection of its future human resource needs (i.e., number, type, level, and location of employees). This information would allow SIGA to determine the gaps between the resources needed to



carry out its strategic plan with access to these resources. Without an adequate human resource plan, SIGA may not be able to ensure it has the right number of employees with the right competencies at the right time to meet its objectives.

### 4.3 Segregation of IT Responsibilities Needed

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We recommended that Saskatchewan Indian Gaming Authority Inc. adequately segregate responsibilities of information technology staff so that one person cannot both develop and make system changes. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

IT developers for some of SIGA's main applications have the ability to both develop system changes and implement these changes without additional authorization. For one of its key applications, SIGA implemented a monthly monitoring process where a report is generated and reviewed to ensure no unauthorized changes are made. However, it has not done so for all of its key applications. Lack of segregation of duties between the development and implementation functions in an IT environment increases the risk of unauthorized and incorrect changes to IT systems and data.

### 4.4 Review of User Access Needed

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We recommended that Saskatchewan Indian Gaming Authority Inc. perform regular reviews of its computer application user accounts. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

In 2012-13, SIGA completed reviews of IT user access for two of its key applications to ensure that the access granted was required and was consistent with each employee's job responsibilities. SIGA plans to complete reviews for its other IT applications in 2013-14. Lack of such reviews increases the risk of unauthorized access to and inappropriate modifications of systems and data.

## 4.5 Compliance with Policies to Control Capital Assets Needed

We recommended that Saskatchewan Indian Gaming Authority Inc. follow its policies to control capital assets. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

SIGA's policies require employees to periodically count capital assets and compare the counts to the accounting records. SIGA manages capital assets totalling approximately \$102 million. As in prior years, employees have not done a complete count of capital assets at its casinos. Therefore, SIGA cannot be sure that all capital assets recorded in its accounting records exist.

## 4.6 IT Strategic Planning Improved

We recommended that Saskatchewan Indian Gaming Authority Inc.'s management review and the Board approve an information technology (IT) strategic plan. (2005 Report – Volume 3; Public Accounts Committee agreement October 31, 2006)

**Status** – Implemented

In 2012-13, SIGA completed its assessment of key IT threats and risks.<sup>3</sup> As part of its established risk assessment process, SIGA analyzed its current IT environment to determine its IT-related strengths, weaknesses, opportunities, and threats. SIGA reorganized its IT function and established a new vision and mission for IT. SIGA also updated its IT strategy to reflect revised objectives and performance measures for IT. It is currently working on updating targets for the revised performance measures. SIGA's IT strategy includes key initiatives, some of which are longer term in nature (i.e., are expected to take longer than one year to complete).

Also, in 2012-13, SIGA implemented a new process for its IT projects. All projects with an IT impact are reviewed to ensure that SIGA's business and IT objectives are aligned. SIGA project plans, which are approved by senior management, include the estimated resources needed to carry out the plans.

<sup>3</sup> We assessed and reported on the effectiveness of SIGA's IT threat and risk assessment processes in our *2012 Report – Volume 2*, Chapter 35.





## Chapter 22

# Saskatchewan Liquor and Gaming Authority

### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Saskatchewan Liquor and Gaming Authority (Liquor & Gaming) for the year ended March 31, 2013.

Liquor & Gaming's 2012-13 financial statements are reliable. Liquor & Gaming complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

Liquor & Gaming had effective rules and procedures to safeguard public resources except that it needs to improve its information technology (IT) policies and compliance with them, and implement an enterprise risk management framework.

### 2.0 INTRODUCTION

Liquor & Gaming operates under *The Alcohol and Gaming Regulation Act, 1997*. Liquor & Gaming is responsible for the distribution, regulation, management and operation of liquor and gaming across the province.<sup>1</sup>

Liquor & Gaming operates retail liquor stores, owns and operates all video lottery terminals (VLTs), and owns and manages the slot machines at all Saskatchewan Indian Gaming Authority Inc. (SIGA) casinos. It is also responsible for the distribution of liquor to other businesses who sell liquor to the public (e.g. franchises, commercial permittees). Liquor & Gaming also regulates all liquor and gaming operations in Saskatchewan.

### 2.1 Financial Overview

In 2012-13, Liquor & Gaming had revenues of \$1,060 million, expenses of \$582 million, and comprehensive income of \$478 million. Its revenues and expenses include slot machine revenues and expenses from SIGA casinos. At March 31, 2013, Liquor & Gaming held total assets of \$340 million, had total liabilities of \$347 million, and had a retained deficit of \$7 million. Liquor & Gaming's 2012-13 annual report includes its financial statements. **Figure 1** shows Liquor & Gaming's key financial results by segment.

<sup>1</sup> Saskatchewan Liquor and Gaming Authority. (2013). *Saskatchewan Liquor and Gaming Authority – Plan for 2013-14*. [www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202013-14.pdf](http://www.slga.gov.sk.ca/Prebuilt/Public/Strategic%20Plan%202013-14.pdf) (15 July 2013).



**Figure 1 – Key Financial Results by Segment**

	Liquor	VLTs	Slots in SIGA Casinos	Other Gaming	Total
	(in millions)				
Total Revenues	\$ 595.2	\$ 223.3	\$ 241.8	\$ 0.4	\$ 1,060.7
Total Expenses	<u>363.0</u>	<u>44.9</u>	<u>155.1</u>	<u>19.3</u>	<u>582.3</u>
Net Income (Loss)	<u>\$ 232.2</u>	<u>\$ 178.4</u>	<u>\$ 86.7</u>	<u>\$ (18.9)</u>	<u>\$ 478.4</u>

Source: Liquor & Gaming's 2012-13 audited financial statements

## 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended March 31, 2013:**

- ▶ **Liquor & Gaming had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- ▶ **Liquor & Gaming complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Alcohol and Gaming Regulation Act, 1997*  
*The Liquor Consumption Tax Act*  
*Customs Tariff Act (Canada)*  
*Excise Act (Canada) (Schedule I and II)*  
*Excise Tax Act (Canada) (Section 188)*  
*Excise Act, 2001 (Canada) (Schedule IV-VI)*  
*Criminal Code of Canada (Section 207)*  
*The Alcohol Control Regulations, 2002*  
*The Saskatchewan Gaming Corporation Casino Regulations, 2002*  
*The Gaming Regulations, 2007*

*The Liquor and Gaming Authority Employee Code of Conduct Regulations*  
*The Litter Control Act*  
*The Litter Control Designation Regulations*  
 Orders in Council issued pursuant to the above legislation  
 2002 Framework Agreement, as amended  
 2002 Casino Operating Agreement, as amended  
 Western Canada Lottery Corporation Operating Agreement  
 Indigenous Gaming Regulators Licensing Agreement

- ▶ **Liquor & Gaming had reliable financial statements**

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Liquor & Gaming's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of Liquor & Gaming's financial-related controls to administer revenues and expenses, safeguard assets, keep reliable financial records consistent with related authorities, and prepare reliable financial reports.

We focused on how Liquor & Gaming operates retail liquor stores, VLTs, and the break-open vending machine program. We also examined how it monitored SIGA's operations. We evaluated its significant IT systems and processes. We assessed the work done by Liquor & Gaming's Compliance Branch and Audit Services Branch with respect to compliance with legislation over liquor and gaming activities in the province.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings and the resulting recommendations.

### 4.1 Policies and Procedures for Monitoring Information Technology Security Needed

IT security policies and procedures help ensure the confidentiality, integrity, and availability of information systems and data. Proper configuration of network devices (e.g., firewalls) and regular monitoring of network security help to reduce the risk of unauthorized access to systems and data, and help to detect and react to security threats. IT security policies and procedures should outline who is responsible for monitoring and responding to security threats or security incidents, the level of response required, and the appropriate documentation required.

In 2012-13, Liquor & Gaming implemented new technology to better secure and monitor its IT network. It has some processes in place to help identify security threats and detect security incidents. However, it has not yet developed policies and procedures to monitor IT security and respond to issues when they arise.

Failure to monitor IT security increases the risk of unauthorized access to IT systems and data without detection.

1. We recommend that the Saskatchewan Liquor and Gaming Authority develop security policies and procedures for monitoring information technology security.

### 4.2 Compliance with User Access Information Technology Policies and Procedures Needed

We recommended that Saskatchewan Liquor and Gaming Authority follow its approved information technology (IT) policies and procedures. (2007 Report – Volume 3; Public Accounts Committee agreement January 9, 2008)

**Status** – Not implemented with respect to user access IT policies and procedures

During 2012-13, employees continued not to follow approved policies for granting and removing user access privileges to key IT systems. For example, we noted that eight individuals who no longer worked for Liquor & Gaming had access privileges to certain IT systems with two of those individuals having access to the overall computer network.

Delays in removing unneeded user access increase the risk of unauthorized disclosure, inappropriate modification, or loss of data.



### 4.3 Corporate-Wide Risk Assessment Needed

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We recommended that Saskatchewan Liquor and Gaming Authority develop and implement an enterprise risk management framework and plan. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

During 2012-13, Liquor & Gaming management completed a corporate re-organization and assigned responsibility for enterprise risk management to its Performance Management Division. However, it had not yet developed a complete risk management framework or plan.

If risks are not identified, documented, and mitigated to an acceptable level, Liquor & Gaming increases the risk of not meeting its organizational goals and objectives.

### 4.4 Bank Reconciliations Completed on a Timely Basis

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We recommended that the Saskatchewan Liquor and Gaming Authority follow its procedures to control its bank accounts. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Liquor & Gaming's procedures require employees to reconcile its recorded bank balances to the bank's records each four-week period for each of its 10 bank accounts. It also requires management to review and approve reconciliations. In addition to periodic bank reconciliations, Liquor & Gaming performs daily reconciliations of its stores' deposits and cheque-clearing activities.

### 4.5 SIGA's Expenses Monitored on a Timely Basis

---

We recommended that Saskatchewan Liquor and Gaming Authority complete its review of the Saskatchewan Indian Gaming Authority's expenses on a timely basis. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

In 2012-13, Liquor & Gaming's Audit Services Branch completed its review of SIGA's expenses on a timely basis. For example, on April 15, 2013, the Branch gave senior management its report on the results of its review of SIGA's expenses for the period from October 1, 2011 – September 30, 2012.

## Chapter 23

# Saskatoon Regional Health Authority

### 1.0 MAIN POINTS

This chapter reports that Saskatoon Regional Health Authority's (Saskatoon RHA) financial statements are reliable. It complied with its governing authorities and had effective controls to safeguard public resources except for the following matters.

Saskatoon RHA needs to establish key security policies to reduce the risk of unauthorized access to its systems and data. Also, it does not yet have a complete and tested disaster recovery plan.

### 2.0 INTRODUCTION

On August 1, 2002, *The Regional Health Services Act* created Saskatoon RHA. Saskatoon RHA is responsible for the planning, organization, delivery, and evaluation of health services in its health region and any other area directed by the Minister.

For the year ended March 31, 2013, Saskatoon RHA had revenues totalling \$1.09 billion,<sup>1</sup> expenses totalling \$1.13 billion,<sup>2</sup> and a deficit of \$35 million. At March 31, 2013, Saskatoon RHA held assets of \$588 million.

### 3.0 AUDIT CONCLUSIONS AND FINDINGS

We worked with Saskatoon RHA's appointed auditor, KPMG LLP, Chartered Accountants using the framework recommended in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>3</sup> We formed the following opinions.

**In our opinion, for the year ended March 31, 2013:**

- › **Saskatoon RHA had effective rules and procedures to safeguard public resources except for the matters described in this chapter**
- › **Saskatoon RHA complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

*The Critical Incident Regulations*  
*The Health Information Protection Act*  
*The Health Labour Relations Reorganization (Commissioner) Regulations*  
*The Housing and Special-care Homes Regulations*  
*The Regional Health Services Act*  
*The Regional Health Services Administration Regulations*  
*The Special-care Homes Rates Regulations, 2011*  
*The Trustee Act, 2009*  
*The Tabling of Documents Act, 1991*  
 The Saskatoon Regional Health Authority Board Bylaws  
 Orders in Council issued pursuant to the above legislation

<sup>1</sup> Comprised of operating revenue of \$1.060 billion and restricted fund revenues of \$32 million.

<sup>2</sup> Comprised of operating expenses of \$1.084 billion and restricted fund expenses of \$43 million.

<sup>3</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



## › Saskatoon RHA's financial statements are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of Saskatoon RHA's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

In our 2012-13 audit, we examined the effectiveness of Saskatoon RHA's financial-related controls used to administer the revenues, expenses and assets identified in **Section 2.0**. Also, we examined the effectiveness of the controls it used to keep reliable financial records and prepare reliable financial reports.

This chapter also provides an update on recommendations agreed to by the Standing Committee on Public Accounts that have not yet been implemented.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Policies and Procedures for Security of Information Technology Systems and Data Needed

We recommended that Saskatoon Regional Health Authority establish information technology policies and procedures based on a threat and risk analysis. (2004 Report – Volume 3; Public Accounts Committee agreement October 25, 2005)

**Status** – Partially Implemented

As previously reported, Saskatoon RHA has approved and communicated to staff an overarching security policy, and has begun work on the supporting policies. However, it has not yet finalized and implemented those policies.

We recommended that all regional health authorities establish adequate disaster recovery plans and test those plans to ensure their effectiveness. (2009 Report – Volume 3; Public Accounts Committee agreement June 18, 2010)

**Status** – Partially Implemented

In 2012-13, Saskatoon RHA prepared a draft disaster recovery plan (DRP) but it does not yet have a complete DRP that identifies how to restore its information technology (IT) systems and data in the event of a catastrophic IT event. Once Saskatoon RHA has developed a complete plan, it needs to test the plan to assess its effectiveness. Without

a complete and tested disaster recovery plan, Saskatoon RHA remains at risk that it may not be able to restore service to its system users in case of a major interruption.

Also as previously reported, eHealth<sup>4</sup> provides Saskatoon RHA with some IT services. To have a robust disaster recovery plan, Saskatoon RHA must ensure that its service provider, eHealth, also has a robust recovery plan. Accordingly, the adequacy of Saskatoon RHA's recovery plan very much depends on the adequacy of the disaster recovery plan of eHealth.

## 4.2 Transparent Process to Select Stakeholder Representation on Advisory Committee Needed

We recommended that Saskatoon Regional Health Authority establish a transparent process to select stakeholder representation on advisory committees and make that process public. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Saskatoon RHA has developed a policy setting out a process to select stakeholder's representation on any of its future advisory committees.

## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by the Standing Committee on Public Accounts (PAC) that are not yet implemented and are not discussed in the chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Capital Equipment Plans</b> (2001 Fall Report – Volume 2)		
2002	6D-1 that all Regional Health Authorities should prepare capital plans that contain the key elements for capital equipment plans in the public sector.	<b>Partially Implemented</b> (as of July 31, 2012)  We plan to do a follow-up in 2014.
<b>Protecting IT Infrastructure</b> (2010 Report – Volume 2)		
2011	11D-1 that the Saskatoon Regional Health Authority implement adequate information technology policies.	<b>Partially Implemented</b> (as of March 31, 2013)  We plan to do a follow-up in 2014.

<sup>4</sup>eHealth is a Treasury Board Crown corporation previously known as the Saskatchewan Health Information Network.





PAC Report Year	Outstanding Recommendation	Status
2011	11D-2 that the Saskatoon Regional Health Authority adequately restrict access to information technology equipment, systems, and data.	<b>Partially Implemented</b> (as of August 31, 2012)  We plan to do a follow-up in 2014.
2011	11D-3 that the Saskatoon Regional Health Authority configure and update its computers and network equipment to protect them from security threats.	<b>Partially Implemented</b> (as of August 31, 2012)  We plan to do a follow-up in 2014.
2011	11D-4 that the Saskatoon Regional Health Authority prepare and test an information technology disaster recovery plan.	<b>Partially Implemented</b> (as of March 31, 2013)  We plan to do a follow-up in 2014.
2011	11D-5 that the Saskatoon Regional Health Authority monitor the security of its information technology infrastructure.	<b>Partially Implemented</b> (as of August 31, 2012)  We plan to do a follow-up in 2014.

## Chapter 24

### Social Services

#### 1.0 MAIN POINTS

This chapter reports the results of our audit of the Ministry of Social Services (Ministry) and its three funds (funds). The funds' 2013 financial statements are reliable. The Ministry complied with authorities governing its activities and the activities of its funds, and had effective rules and procedures to safeguard public resources except for the following.

The Ministry needs to sign an adequate agreement with the Information Technology Office (ITO), monitor the effectiveness of ITO's security, and complete the Ministry's business continuity planning and test its effectiveness. The Ministry also needs to follow its processes to ensure only appropriate recipients receive the correct amount of social assistance.

Furthermore, the Ministry needs to continue working with community-based organizations (CBOs) to establish performance measures and targets. It also needs to ensure CBOs comply with the Ministry's reporting requirements.

In addition, the Ministry needs to work with the First Nation Child and Family Services agencies to have adequate agreements to ensure that the Ministry receives the information necessary for it to monitor the well-being of children in care.

#### 2.0 INTRODUCTION

The mandate of the Ministry is to support at-risk citizens as they work to build better lives for themselves through economic independence, strong families, and strong community organizations. The Ministry assists these efforts through income support, child and family services, support for persons with disabilities, and safe, affordable, accessible housing.<sup>1</sup>

#### 2.1 Financial Overview

The Ministry spent \$851.5 million to deliver its programs (see **Figure 1**). It also had revenues totalling \$30.2 million.<sup>2</sup> Information about the Ministry's revenues and expenses appears in its annual report.

<sup>1</sup> Ministry of Social Services, *2012-13 Annual Report*, p. 4. (see [www.socialservices.gov.sk.ca](http://www.socialservices.gov.sk.ca)) (22 October 2013).

<sup>2</sup> *Ibid.*, p. 18-19.



**Figure 1 – Major Programs and Spending**

	Estimates 2012-13	Actual 2012-13
	(in millions)	
Central Management and Services	\$ 43.0	\$ 45.5
Income Assistance and Disability Services	575.0	575.6
Child and Family Services	205.9	203.9
Client Support	33.1	24.2
Housing	<u>14.6</u>	<u>11.5</u>
<b>Total Appropriation</b>	<u>871.6</u>	<u>860.7</u>
Capital Asset Acquisitions	(21.7)	(12.0)
Capital Asset Amortization	<u>2.8</u>	<u>2.8</u>
<b>Total Expense</b>	<u>\$ 852.7</u>	<u>\$ 851.5</u>

Source: Ministry of Social Services, 2012-13 Annual Report, p. 18

## 2.2 Special Purpose Funds and Crown Agency

The Ministry is responsible for the following funds with March 31 year ends and Crown agency with a December 31 year end:

Special Purpose Funds (funds)

Social Services Central Trust Account

Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund

Social Services Valley View Centre Residents' Trust Account

Crown Agency

Saskatchewan Housing Corporation

We reported the results of our audit of the Saskatchewan Housing Corporation for the year ended December 31, 2012 in our *2013 Report – Volume 1*.

## 3.0 AUDIT CONCLUSIONS AND SCOPE

In our opinion, for the year ended March 31, 2013:

- › The Ministry had effective rules and procedures to safeguard public resources except for the matters described in this chapter
- › The Ministry and its funds complied with the following authorities governing their activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the matters described in this chapter:

<i>The Child and Family Services Act</i>	<i>The Benefit Adjustment Regulations</i>
<i>The Child and Family Services Regulations</i>	<i>The Disability Housing Supplement Regulations</i>
<i>The Child Care Act</i>	<i>The Employment Supplement Regulations</i>
<i>The Child Care Regulations, 2001</i>	<i>The Personal Care Home Benefit Regulations</i>
<i>The Department of Social Services Act</i>	<i>The Rental Housing Supplement Regulations</i>
<i>The Social Services Rehabilitation Institutional Collective Benefit Funds and Trust Account Regulations</i>	<i>The Saskatchewan Assistance Regulations</i>
<i>The Department of Social Services Central Trust Account Regulations</i>	<i>The Saskatchewan Assured Income for Disability Regulations, 2012</i>
<i>The Rehabilitation Act</i>	<i>The Transitional Employment Allowance Regulations, 2005</i>
<i>The Saskatchewan Rehabilitation (Mentally Retarded Persons) Regulations</i>	<i>The Saskatchewan Income Plan Act</i>
<i>The Vocational Rehabilitation Regulations</i>	<i>The Senior Income Plan Regulations</i>
<i>The Residential Services Act</i>	<i>The Government Organization Act</i>
<i>The Private-service Homes Regulations</i>	<i>The Ministry of Social Services Regulations, 2007</i>
<i>The Residential-service Facilities Regulations</i>	Orders in Council issued pursuant to the above legislation
<i>The Saskatchewan Assistance Act</i>	

### › The financial statements of the funds are reliable

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Ministry's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

We examined significant Ministry programs including corporate and support services, child welfare, income support for low income families, seniors and people with disabilities, social assistance for people out of work, housing, and services to support families and people with disabilities.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Better IT Monitoring Needed

We recommended that the Ministry of Social Services monitor the effectiveness of the Information Technology Office's security to protect the Ministry's computer systems and data. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

As previously reported and consistent with prior years, the Ministry continued to receive monthly service and user access reports from its service provider, the ITO. Those reports provide limited information on the security or availability of the Ministry's systems and no information on the adequacy of ITO's controls or how weaknesses at ITO could impact the Ministry's IT systems and data. Also, the Ministry did not consistently follow its process for promptly removing user access from individuals who



are no longer its employees. We found 7 out of 10 individuals that we tested did not have their access removed promptly.

Without a complete security report, the Ministry does not know if ITO is meeting the Ministry's security and disaster recovery needs. Also, lack of timely removal of access for those who no longer work for the Ministry increases the risk of inappropriate access to the Ministry's systems and data.

## 4.2 Complete Business Continuity Plan Needed

We recommended that the Ministry of Social Services sign an adequate agreement with the Information Technology Office that includes network security and disaster recovery requirements. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Partially Implemented

As reported in the prior year, the Ministry's memorandum of understanding (MOU) with ITO does not outline specific Ministry disaster recovery requirements (e.g., time to restore, testing requirements). Lack of agreed-upon disaster recovery requirements could result in the Ministry's systems and data not being available when needed.

We recommended that the Ministry of Social Services complete its business continuity planning by testing its business continuity plan. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

**Status** – Not Implemented

In 2012-13, through its Business Continuity Management Committee, the Ministry began updating its business continuity plan<sup>3</sup> based on a gap analysis that was conducted by an external contractor. As part of this update, the Ministry plans to test the plan.

As we reported in 2012, because the Ministry has not identified its disaster recovery needs to ITO, ITO has not done disaster recovery testing to ensure that the Ministry's critical systems (e.g., LINKIN) can be recovered in a timely way in the event of a disaster. Without an adequate, tested disaster recovery plan, the Ministry cannot have a completely tested BCP.

<sup>3</sup> Business Continuity plan (BCP) – Plan by an organization to respond to unforeseen incidents, accidents, and disasters that could affect the normal operation of the organization's critical operations and functions including normal operations of computerized systems. A disaster recovery plan is part of a BCP.

### 4.3 Processes for Social Assistance Payments Need to be Followed

We recommended that the Ministry of Social Services follow its established processes that ensure only eligible clients receive assistance and that they receive the correct amount of assistance. (2000 Report – Volume 3; Public Accounts Committee agreement June 6, 2011)

**Status** – Partially Implemented

In 2012-13, the Ministry made payments totalling about \$286 million to social assistance clients.<sup>4</sup> We have reported for many years that the Ministry's employees do not consistently follow established policies and procedures. For example, Ministry employees did not consistently assess recipients' financial needs or include adequate documentation for assistance payments in client files. We found instances where the assistance payments that were approved were not in accordance with policy.

The lack of compliance with Ministry policies could result in some recipients receiving incorrect amounts of assistance. The Ministry needs to follow its policies and procedures to ensure that only appropriate recipients receive the correct amount of social assistance.

### 4.4 Some Improvements in Supervision of Community-Based Organizations Noted

We recommended that the Ministry of Social Services work with community-based organizations to establish performance measures and targets that better allow it to assess the community-based organizations' progress in achieving the Ministry's operational objectives. (2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Partially Implemented

The Ministry uses approximately 200 CBOs to provide, on its behalf, programs such as group homes, services to enable people to live in their own homes (who otherwise could not), and youth-at-risk intervention programs. For the year ended March 31, 2013, the Ministry paid these CBOs about \$195 million.

As reported in the prior year, the Ministry's agreements with CBOs include program objectives and outcomes but do not include performance measures and targets. Performance measures and targets would allow the Ministry to assess CBO

<sup>4</sup> A person who seeks social assistance is called a client.



performance (e.g., whether money paid to CBOs achieved the results the Ministry has intended).

We recommended that the Ministry of Social Services perform timely reviews on all the performance information submitted by the community-based organizations.

(2007 Report – Volume 3; Public Accounts Committee agreement January 8, 2008)

**Status** – Partially Implemented

The Ministry requires, through its service agreements, CBOs to submit operational reports that describe services and activities, and quarterly and annual financial reports.

In 2012-13, although the Ministry received some CBO reports late, overall it received the required reports from CBOs sooner than the prior year. For example, for the files we reviewed, 23% of the CBOs' audited financial statements and 18% of the CBOs' quarterly financial reports were submitted late (2011-12: 30% and 18%, respectively).

Also, the Ministry improved the timeliness of its reviews of all the reports submitted by the CBOs. However, the Ministry needs to ensure that CBOs comply with reporting requirements to allow the Ministry to perform timely reviews and take corrective action when needed.

## 4.5 Processes for Capital Projects have Improved

We recommended that the Ministry of Social Services establish a process to perform and document all necessary due diligence before making payments for capital projects to external parties. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

The Ministry now uses Saskatchewan Housing Corporation (SHC) to manage and distribute capital project funding for construction, major renovations or real estate. SHC is a Treasury Board Crown corporation with expertise in making payments for capital projects. SHC also assists the Ministry in developing funding agreements for capital projects. The Ministry uses SHC to perform and document all necessary due diligence before making the payments for capital projects.

We recommended that the Ministry of Social Services maintain complete and up-to-date information for all capital projects with external parties. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

As described above, SHC now manages and distributes capital project funding. SHC provides the Ministry with information on capital project funding and other related correspondence with CBOs.

We recommended that the Ministry of Social Services provide guidance to staff to ensure all transactions are recorded properly in the Ministry's financial records. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

The Ministry uses the *Financial Administration Manual (FAM)* to provide its staff with guidance on how to account for transactions in its financial records. In 2012-13, the Ministry's training for staff involved in making payments to CBOs included guidance on relevant FAM sections.

## 5.0 PROTECTION OF CHILDREN

For many years, we have annually audited the Ministry's processes to protect children and have made recommendations for improvement. In the future, we may examine more in-depth specific aspects of the Ministry's child protection processes.

This section provides the results of our examination of the Ministry's processes to protect children in its care. To assess the processes, we examined various files, reports, and documents in the Ministry's offices and had discussions with senior officials. Our work did not include directly examining files of children the Ministry placed in out-of-home care on reserves.

### 5.1 Background

*The Child and Family Services Act* requires the Minister of Social Services to intervene on a child's behalf if the child is in need of protection due to physical, sexual, or emotional abuse or neglect. The Ministry has services designed to protect children from abuse or neglect, support families and communities in caring for children, assist people facing family violence, and assist families to adopt children under *The Adoption Act*.

The Ministry provides care for children requiring protection and out-of-home care. Children placed in out-of-home care can be either wards or non-wards. Wards are those children for which the Minister has assumed legal responsibility and must act as a parent with the rights and obligations of a parent. Non-wards are those children that the Minister helps to support without having legal custody of the child. Also, non-wards are children that the courts may place in the custody of a person of sufficient interest,<sup>5</sup> rather than with the Minister.

<sup>5</sup> A person of sufficient interest is a person who is not a parent of the child but who, in the opinion of the court, has a close connection to the child, and in the case of a Status Indian child, is Chief of the Indian Band or his or her designate.





For children who are wards of the Minister and reside on reserves, the Ministry has delegated authority to 17 First Nation Child and Family Services agencies (First Nation agencies) to care for them.<sup>6</sup> **Figure 2** describes how First Nation agencies can obtain custody of those children. For children who are wards of the Minister, the Ministry continues to be responsible for ensuring those children receive appropriate care whether on or off reserve.

**Figure 2—First Nation Agency Custody Process**

Under the law, First Nation agencies can obtain custody of a child on behalf of the Minister in one of the following ways:

- ▶ Using the Minister’s powers specified in agreements, obtain either a court order for a child apprehended on reserve or accept a child whose parent(s) voluntarily place the child in the First Nation agency’s care
- ▶ Accept transfer of First Nation children from the Ministry that were apprehended off reserve, when the Ministry considers the transfer desirable

To obtain custody of a child in need of protection, First Nation agencies use the Minister’s powers specified in agreements to approach a court of law to seek custody of the child. When the court is satisfied that the child needs protection and there is no person of sufficient interest, it grants custody to the Minister and the child becomes a ward of the Minister. However, the child remains in the care of the First Nation agency.

Source: *The Child and Family Services Act*, sections 37, 46, and 61

At March 31, 2013, the Ministry reported it had 5,621 children in out-of-home care of which almost 30% (2011-12: 28%) were non-wards and 70% (2011-12: 72%) were wards of the Minister. Of those children who were wards of the Minister, the Ministry’s staff (caseworkers) provided case management services for 72% of the children and First Nation agencies provided case management services for 28% of the children. **Figure 3** shows a breakdown of the number of children in out-of-home care.

**Figure 3—Children in Out-of-Home Care from 2011 to 2013**

Fiscal Year End	Non-wards Living in Out-of-Home Care	Wards in Care On Reserve	Wards in Care Off Reserve	Total
March 31, 2011	1,538	1,139	3,217	5,894
March 31, 2012	1,627	1,123	2,964	5,714
March 31, 2013	1,660	1,117	2,844	5,621

Source: Ministry of Social Services, *2012-13 Annual Report*, p. 8

The Ministry has established rules and procedures (standards) to protect children in out-of-home care. The Ministry’s standards apply to all children, including those who are in the care of First Nation agencies.

The standards set out detailed processes for providing out-of-home care. For example, standards state how often caseworkers must meet with foster parents and children, and define requirements for child development plans. The standards also set out approval requirements for foster homes caring for more than four children. In addition, the standards provide guidelines on how to assess potential new foster parents (including obtaining reference and criminal record checks).

<sup>6</sup> First Nation agencies are not-for-profit community-based organizations that individual First Nations establish to carry out child and family service programs on related First Nation reserves.

Notwithstanding the location of the foster homes (off reserve or on reserve), the Ministry requires that each child must have an assigned caseworker. The Ministry has established standards setting out qualifications and requirements for reference and criminal record checks to hire such caseworkers. Management stated that the Ministry approves the hiring of all caseworkers on and off reserve.

## 5.2 Need Better Compliance with Protection Standards for Children in Out-of-Home Care

We recommended that the Ministry of Social Services follow its processes to ensure that children in care are protected and the payments to custodians are authorized. (2003 Report – Volume 3; Public Accounts Committee agreement September 28, 2004)

**Status** – Partially Implemented

The Ministry, through its quality assurance group, carries out quality assurance reviews each year to monitor compliance with its child protection standards both on and off reserve. **Figure 4** sets out the average compliance rates with various standards that the Ministry found during its 2012-13 quality assurance reviews of three service areas and four First Nation agencies, as compared to the results of its 2011-12 quality assurance reviews of three service areas and nine First Nation agencies. As in prior years, the Ministry has not yet achieved an acceptable level of compliance with its established standards both at First Nation agencies and in its own service areas.

**Figure 4—Examples of Compliance with Child Protection Standards**

Child Protection Standard	2012-13 Four First Nation Agencies	2011-12 Nine First Nation Agencies	2012-13 Three Service Areas	2011-12 Two Service Areas
Maintaining current child development plans every 120 days	35%	26%	51%	83%
Having contact with the child within the first two days of placement	21%	21%	55%	59%
Having contact with the child every six weeks	4%	8%	23%	51%
Completing home safety checks	52%	64%	81%	62%
Completing criminal record checks at the time of homestudy	66%	64%	86%	87%
Reviewing foster homes on an annual basis	20%	56%*	78%	56%
Reviewing and approving foster homes when placing more than four children in the foster home	100%	92%*	100%	100%

Source: Quality assurance reports for three service areas and four First Nation agencies for 2012-13 and for two service areas and nine First Nation agencies for 2011-12

\*This is the result of the Ministry's review of eight First Nation agencies because the Ministry did not receive complete information from one First Nation agency - the Saskatoon Tribal Council



We recommended that the Ministry of Social Services monitor quality assurance results, establish increasing and achievable targets for compliance with child protection standards in its own service areas and at First Nation Child and Family Services agencies, and work to achieve those targets. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

Starting in 2012-13, the quality assurance reports for the First Nation agencies and service areas include baseline data that was reported in previous quality assurance reports. The reports compare the baseline data to the current compliance rates. However, the reports do not provide reasons for the differences in compliance rates.

The Ministry indicated that it informally sets targets for increasing compliance when working with First Nation agencies and service areas. However, the Ministry has not formally established these targets or the action plans to achieve the targets.

### **5.3 Tracking of Children in Care On and Off Reserves Needed**

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We recommended that the Ministry of Social Services implement a system to know how many children are the Minister's responsibilities, who they are, and where they live. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

As we reported in 2012, the Ministry uses a broad-based technology system (LINKIN) to assist in monitoring and tracking children. Because, as noted in **Section 5.4**, the Ministry does not receive monthly reports on children in the care of the Saskatoon Tribal Council, it cannot monitor and track those children. We encourage the Ministry to continue working with this agency to obtain timely and relevant information to monitor the well-being of children in care.

## 5.4 Agreements with All First Nation Agencies Needed for Caring for Children Residing on Reserves

We recommended that the Ministry of Social Services make agreements with First Nation Child and Family Services agencies to require timely and relevant information to ensure proper care for children who are wards of the Minister. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

In 2011-12, we reported that the Ministry had signed adequate agreements with 15 of the 17 First Nation agencies that require these agencies to provide the Ministry with information on agency staff, foster homes, and the well-being of children in care. The remaining two First Nation agencies (Yorkton Tribal Council and Saskatoon Tribal Council) continue to refuse to sign these agreements. These two agencies continue to operate under older, inadequate agreements that do not require the agencies to provide timely and relevant information to ensure proper care for wards of the Minister. The Ministry is continuing to work with them to obtain the information that is required under the new agreement.

The Yorkton Tribal Council continues to work with the Ministry on outstanding matters related to the reporting and accountability provisions, and currently gives the Ministry monthly reports on children in its care.

The Saskatoon Tribal Council continues to not give the information the Ministry receives from the other 16 First Nation agencies, including a listing of children in its care. In 2012-13, the Ministry received monthly reports on children in care from 16 of the 17 First Nation agencies.

We encourage the Ministry to seek adequate agreements with the remaining two First Nation agencies and, in the intervening period, to continue working with the Saskatoon Tribal Council to receive timely and relevant information consistent with information provided by other First Nation agencies.

During 2012-13, we found that the Ministry received about 56% (2011-12: 77%, 2010-11: 53%) of the monthly reports within 90 days of the month-end, and these reports did not always include the requested information such as admission date or caregiver name. Also, the Ministry does not receive all of the other information required under the agreements. For example, we found that the Ministry did not receive annual lists of agency staff with qualifications, criminal record checks, and clearances from the child abuse registry.



## 5.5 Non-Compliance with Ministry Standards

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We recommended that the Ministry of Social Services adequately monitor the First Nation Child and Family Services agencies' compliance with the Ministry's standards for approval of out-of-home care providers. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

As discussed in **Section 5.2**, the Ministry's monitoring of the First Nation Child and Family Services agencies show that those agencies reviewed had varying levels of compliance with established standards. For example, as part of the standards for approval of out-of-home care providers, criminal record checks are to be completed for all adults living in the home. The reviews of the four First Nation agencies found that compliance with this standard ranged from 50% to 92%.

## 5.6 Quality Control Assessments Completed on a Timely Basis

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We recommended that the Ministry of Social Services finalize reports of its quality control assessments of First Nation Child and Family Services agencies on a timely basis. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During our audit, we found that the Ministry completed its review of the First Nation agencies on a timely basis (i.e., the four quality assurance reports were completed within approximately four months).

## 5.7 Process to Review All Child Protection Files Needed

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We recommended that the Ministry of Social Services seek regular personal contact with children who are wards of the Minister and regularly review the First Nation Child and Family Services agencies' child protection files. (2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Partially Implemented

Consistent with the prior year, during its 2012-13 quality assurance reviews, the Ministry had access to all child care files and other resource files (e.g., foster care home files) for

all First Nation agencies except for the Saskatoon Tribal Council (see **Section 5.4** for further information).

## 5.8 Monitoring of Compliance with Child Protection Standards Not Uniform

We recommended that the Ministry of Social Services conduct reviews to monitor compliance with child protection standards at First Nation Child and Family Services agencies as often as it does for its own service areas. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

As reported in 2012, the timing of the Ministry's quality assurance reviews is not consistent between its service areas and the First Nation agencies. The Ministry conducts reviews of service areas once a year and, consistent with its agreements, reviews First Nation agencies once every three years. To ensure quality of safety for all children both on and off reserves, the Ministry should also conduct annual reviews at the First Nation agencies.

Seven of the agreements with First Nation agencies are coming up for renewal during 2013-14. We encourage the Ministry to revise these agreements to require annual reviews so that all children are afforded the same level of care.

## 6.0 EXHIBIT

### 6.1 Status of Previous Recommendation of the Standing Committee on Public Accounts

The following exhibit provides an update on a recommendation agreed to by the Standing Committee on Public Accounts (PAC) that is not yet implemented and is not discussed earlier in this chapter. Our intent is to follow up this outstanding recommendation in upcoming reports.

PAC Report Year	Outstanding Recommendation	Status
<b>Ministry of Social Services – Saskatchewan Housing Corporation</b> (2004 Report – Volume 1)		
2005	15-1 that the Saskatchewan Housing Corporation's capital plan should show: <ul style="list-style-type: none"> <li>- The specific measures the Corporation would use to determine the appropriate size, mix, and condition of the housing portfolio (i.e., performance measures);</li> <li>- The starting point of each measure (i.e., baseline);</li> <li>- What the Corporation expects to achieve with the housing portfolio and by when (i.e., targets).</li> </ul>	<b>Partially Implemented</b> (as of March 31, 2013)  See Chapter 3 in our <i>2013 Report – Volume 1</i> for a status update.



## Chapter 25

### Teachers' Dental Plan

#### 1.0 MAIN POINTS

This chapter reports the results of the annual audit of the Teachers' Dental Plan (Plan) for the year ended June 30, 2013.

The Teachers' Superannuation Commission (Commission) complied with the authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing except for the need for adequate support for dental payments.

The Commission had effective rules and procedures to safeguard public resources except the Commission needs to:

- › Implement processes to monitor its dental agreement with the insurance provider and have adequate support for dental payments
- › Establish guidance for preparing financial reports of the Dental Plan and include its financial statements in its annual report

The Commission has made some progress to address these issues; however, more work remains.

In this chapter, we continue to make four recommendations so legislators and the public receive accurate information about the Plan.

#### 2.0 INTRODUCTION

The Commission manages and administers the Plan. The Plan provides Saskatchewan teachers and their dependents with coverage for certain dental services. The Commission uses an insurance company (service provider) to help administer the Plan.

The Ministry of Education (through the General Revenue Fund) pays for all of the dental services provided through the Plan. During 2012-13, the Commission used \$11 million received from the Ministry to pay for almost 50,000 dental claims and related administrative costs.

#### 3.0 AUDIT CONCLUSIONS AND SCOPE

**In our opinion, for the year ended June 30, 2013:**

- › **The Commission had effective rules and procedures to safeguard the Plan's public resources except as reported in this chapter**
- › **The Commission complied with the following authorities governing the Plan's activities relating to financial reporting, safeguarding public resources, revenue**





## raising, spending, borrowing, and investing except for the need for adequate support for dental payments:

*The Teachers' Dental Plan Act*  
Orders in Council issued pursuant to the above legislation

We used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make our judgments about the effectiveness of the Plan's controls. The CICA defines control as comprising elements of an organization that, taken together, support people in the achievement of an organization's objectives.

## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we outline key observations from our assessments and the resulting recommendations.

### 4.1 Adequate Support for Dental Payments Needed

We recommended that the Teachers' Superannuation Commission have adequate support for dental payments. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Partially Implemented

The Commission has almost completed its development of a system to reconcile the details of claims made with the monthly claims paid report (dental reconciliation process). However, management has advised us that it has not completed doing so because of other priorities and staff vacancies. The Commission plans to use the reconciliation to help ensure that it can match the details of claims to payments made and that payments are made only to eligible teachers for eligible services.

### 4.2 Need Processes to Monitor Dental Agreement

We recommended that the Teachers' Superannuation Commission implement adequate processes to establish and monitor its dental agreement with the insurance provider. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

**Status** – Partially Implemented

In 2012-13, the Commission did not implement additional processes to monitor the insurance provider's compliance with the agreement. As reported in our *2012 Report – Volume 2*, the Commission plans to update its agreement with the service provider and develop written guidance to formally monitor the service provider's compliance with the

agreement after the dental reconciliation process described in **Section 4.1** is established.

### 4.3 Need Guidance for Preparing Dental Plan Financial Reports

We recommended that the Teachers' Superannuation Commission establish complete and written guidance for preparing interim and year-end financial reports. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented

As reported in our *2012 Report – Volume 2*, the Commission plans to complete its written guidance for preparing interim and year-end financial reports by the Dental Plan once it has finalized the dental reconciliation process described in **Section 4.1**.

### 4.4 Need Dental Plan Financial Statements

We recommended that the Teachers' Superannuation Commission's annual report include the financial statements of each benefit plan the Commission administers. (2008 Report – Volume 1; Public Accounts Committee agreement June 17, 2008)

**Status** – Partially Implemented as it relates to the Teachers' Dental Plan

As reported in our *2012 Report – Volume 2*, management intends to prepare the Dental Plan financial statements and include them in the Commission's Annual Report once they have developed and finalized the dental reconciliation process described in **Section 4.1**. Consistent with prior years, the Commission continued to provide summarized financial information about the Dental Plan's expenses in the Commission's annual report.<sup>1</sup>

<sup>1</sup> [www.stsc.gov.sk.ca](http://www.stsc.gov.sk.ca) (17 October 2013).



## Chapter 26

### Water Security Agency

#### 1.0 MAIN POINTS

The Saskatchewan Watershed Authority became the Water Security Agency (Agency) effective October 2012.

This chapter reports the results of the annual audit of the Agency for the year ended March 31, 2013.

The Agency complied with the authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing. As well, the Agency's 2013 financial statements are reliable.

The Agency had effective rules and procedures to safeguard public resources except it needs to implement and test its business continuity plan.

#### 2.0 INTRODUCTION

The Agency is responsible for integrating all aspects of provincial water management to ensure water supplies support economic growth, quality of life, and environmental well-being. The Agency supports the protection of drinking water, flood and drought response, and management of water supplies, water quality, and aquatic habitat. It also owns and operates provincial dams and water supply channels.

At March 31, 2013, the Agency held assets of \$360.7 million, had annual revenue of \$43.1 million, and had a surplus for the year of \$2.9 million. Each year, the Agency gives its annual report including its audited financial statements to the Legislative Assembly.<sup>1</sup>

#### 3.0 AUDIT CONCLUSIONS

Our Office worked with Deloitte LLP, the appointed auditor, to carry out the audit of the Agency. We followed the framework in the *Report of the Task Force on Roles, Responsibilities and Duties of Auditors*.<sup>2</sup>

**In our opinion, for the year ended March 31, 2013:**

- › **The Agency had effective rules and procedures to safeguard public resources except for the matter described in this chapter**
- › **The Agency complied with the following authorities governing its activities relating to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing:**

<sup>1</sup> [www.wsask.ca](http://www.wsask.ca) (22 October 2013).

<sup>2</sup> See our website at [www.auditor.sk.ca](http://www.auditor.sk.ca).



*The Saskatchewan Watershed Authority Act, 2005*  
*The Saskatchewan Watershed Authority Regulations*  
*The Drainage Control Regulations*  
*The Water Power Act*  
*The Water Power Rental Regulations*  
*The Crown Employment Contracts Act*  
*The Financial Administration Act, 1993*  
Orders in Council issued pursuant to the above legislation

## › The Agency had reliable financial statements

This chapter also provides an update on the status of previous recommendations agreed to by the Standing Committee on Public Accounts (PAC).

## 4.0 KEY FINDINGS AND RECOMMENDATION

In this section, we outline a key observation from our assessments and the resulting recommendation.

### 4.1 Business Continuity Plan Needs Testing

We recommended that the Water Security Agency (previously the Saskatchewan Watershed Authority) implement and test a business continuity plan. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

During the year, the Agency began to take steps for the recovery and restoration of its key information technology (IT) systems that support its business critical services. However, at March 31, 2013, the Agency had not yet updated, approved, or tested its disaster recovery plan to ensure that the Agency's IT critical systems can be recovered in a timely manner.

The Agency plans to test its disaster recovery plan in 2013-14.

The Agency must carry out its mandate, even if a disaster disrupts its ability to deliver programs and services in the usual manner. Without a complete, documented, and tested business continuity plan, the Agency is at risk of not being able to deliver its programs and services in a timely manner.

## 5.0 EXHIBIT

### 5.1 Status of Previous Recommendations of the Standing Committee on Public Accounts

The following exhibit provides an update on recommendations agreed to by PAC that are not yet implemented and are not discussed earlier in this chapter.

PAC Report Year	Outstanding Recommendation	Status
<b>Saskatchewan Watershed Authority (Dam Safety)</b> (2005 Report – Volume 1)		
2005	3-2 that the Saskatchewan Watershed Authority should have up-to-date tested emergency preparedness plans for each of its major dams (i.e., Rafferty, Alameda, Qu'Appelle River, and Gardiner).	<b>Partially Implemented</b> (as of July 31, 2012)  We plan to do a follow-up in 2014.
2005	3-3 that the Saskatchewan Watershed Authority should set processes that ensure its manuals always include complete procedures to operate, maintain, and monitor dam safety.	<b>Partially Implemented</b> (as of July 31, 2012)  We plan to do a follow-up in 2014.



## Chapter 27

### Summary of Implemented Recommendations

#### 1.0 MAIN POINTS

This chapter provides an update on a recommendation that was implemented and is not discussed elsewhere in this report.

#### 2.0 SUMMARY OF IMPLEMENTED RECOMMENDATION

**Figure 1** sets out the implemented recommendation and highlights key actions taken to implement the recommendation.

**Figure 1—Implemented Recommendation**

Past Recommendation (Initial PAS* Report, Date of Agreement of PAC)	Key Actions Taken in 2012-13 to Implement Recommendation
<b>Health Quality Council</b>	
We recommended that the Health Quality Council only pay for goods and services that it requests and receives. (2012 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)	Management of the Health Quality Council (Council) has directed staff to attach evidence of goods received/services rendered to invoices before obtaining approval for payments. This helps ensure the Council only pays for goods and services that it requests and receives.

\* Provincial Auditor Saskatchewan







## **Performance Audits**

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## Chapter 28

# Agriculture – Regulating Livestock Waste to Protect Water Resources

### 1.0 MAIN POINTS

The Ministry of Agriculture (Ministry) is responsible for reviewing the adequacy of waste storage plans and waste management plans of intensive livestock operations (ILOs). The Ministry is also responsible for inspecting ILOs and enforcing requirements when operators do not sufficiently address risks identified.

According to the *2010 State of the Watershed Report*, the overall health of many Saskatchewan watersheds is stressed by human activity. The report indicates that manure production is one of the potential stressors on Saskatchewan watersheds. The effectiveness of the Ministry's processes to regulate intensive livestock operations is essential to avoid and mitigate the threats posed by livestock waste to our water resources.

Our audit for the period of September 1, 2012 to August 31, 2013 found the Ministry had effective processes to regulate waste generated from ILOs except the Ministry needs to review pre-1996 ILO approvals and confirm sufficient controls are in place. The Ministry also needs to determine the frequency of inspections for ILOs based on risk and then conduct inspections in accordance with its policy.

### 2.0 INTRODUCTION

The Ministry of Agriculture (Ministry) is responsible for administering the intensive livestock provisions under *The Agricultural Operations Act* (Act) and regulations to ensure intensive livestock operators are storing and managing livestock waste in a manner that protects water resources. Under the Act, a livestock operation is defined as intensive if the space per animal unit where the livestock is confined is less than 370 square metres. One cow, 200 broiler chickens, or six feeder pigs represent one animal unit. **Figures 1** and **2** show the number of cattle, hogs and pigs in Saskatchewan compared to our neighbouring provinces, Alberta and Manitoba.<sup>1</sup> At May 2011, Saskatchewan had about 140 dairy farms, 7,300 beef farms, 65 hog farms, and 115 poultry farms.<sup>2</sup>

**Figure 1 – Provincial Comparisons of Total Cattle**

	2013	2006	2001
Manitoba	1,230,000	1,573,097	1,424,427
Saskatchewan	2,890,000	3,363,235	2,899,502
Alberta	5,585,000	6,369,116	6,615,201

Source: Saskatchewan Ministry of Agriculture and Statistics Canada

<sup>1</sup> This includes all cattle, hogs, and pigs raised in the province including those raised in ILOs.

<sup>2</sup> Per the Ministry of Agriculture's 2011 Census Fact Sheet. Information not readily available for July 2013.



**Figure 2—Provincial Comparisons of Total Hogs and Pigs**

	2013	2006	2001
Manitoba	2,960,000	2,932,548	2,540,220
Saskatchewan	1,075,000	1,388,886	1,109,797
Alberta	1,420,000	2,052,067	2,027,533

Source: Saskatchewan Ministry of Agriculture and Statistics Canada

The Act requires intensive livestock operators that meet the following criteria to develop and operate according to waste storage plans and waste management plans approved by the Ministry. The Act defines an intensive livestock operation requiring approvals as one that has one of the following:

- › Contains an earthen manure storage unit or lagoon (storages)
- › Involves more than 300 animal units
- › Involves more than 20 animal units confined for more than 10 days out of a month within 300 meters of surface water or 30 metres of domestic water wells

**Figure 3** outlines the total number of approvals given by the Ministry over the past three years for ILOs. The Ministry provides approvals for each new or expanding waste storage plan and for each new or altered waste management plan (i.e., there may be more than one approval per ILO). According to the Ministry, at July 2013, there were about 733 Ministry approvals of ILOs operating in the province. At July 2013, the Ministry’s Agriculture Operations area that is responsible for regulating waste from intensive livestock operations had 11 staff.

**Figure 3—Number of Ministry Approvals of Intensive Livestock Waste Storage Plans & Waste Management Plans from 2010 to 2013**

Year	# of Approvals	Animal Units
2012-13	13	51,092
2011-12	9	11,558
2010-11	6	3,802

Source: Saskatchewan Ministry of Agriculture

### 3.0 PROTECTING WATER RESOURCES FROM LIVESTOCK WASTE

ILOs can contaminate a source of drinking water (i.e., groundwater or surface water) if manure and disposition of dead animals are not properly managed. ILOs collect and store manure in storage structures. Contamination may occur if these units are inadequately designed or managed, and located in close proximity to water resources. ILOs use stored livestock waste as fertilizer to take advantage of the nutrients in the manure as a valuable fertilizer for crop production. Although soil can filter out bacteria and other microorganisms, they can also enter surface water through run-off.

Microorganisms, nitrogen, and phosphorous are the prime contaminants from livestock waste. Some of these contaminants can cause severe illness and disease if ingested or

may have environmental impacts. The following provides an example of potential effects of these contaminants.

- ▶ Excessive amounts of nitrates may have detrimental effects on drinking water. Human consumption can lead to infantile methemoglobinemia or “blue baby syndrome”<sup>3</sup>, or can cause kidney or spleen problems.

Phosphorous is essential for aquatic and terrestrial plant growth. However, an overabundance of this nutrient can result in excessive algae in water bodies making the habitat unsuitable for many forms of aquatic life. It can also result in excessive vegetation in the water source, causing it to become oxygen depleted. If waste application (i.e., manure spread as fertilizer) rates are high, the soil will accumulate microorganisms, nitrogen, and phosphorous. Through infiltration, organisms or nutrients in the soil that are able to move with the water can contribute to contamination of groundwater sources. Once contaminants are in groundwater, they may eventually reach rivers and lakes.

Drinking water in Saskatchewan comes from lakes and rivers (i.e., surface water) and aquifers (i.e., groundwater). About 73% of municipal or communal waterworks use groundwater to serve 28% of Saskatchewan residents with drinking water, while the remaining 27% of waterworks use surface water to serve about 57% of Saskatchewan residents.<sup>4</sup>

Groundwater can move so slowly that contamination problems can take a long time to appear. For this reason, and because it is expensive to clean up a contaminated aquifer, it is preferable to prevent contamination from happening in the first place.

Prevention strategies include locating ILOs where waste will not contaminate underlying groundwater. Other strategies include ILOs designing storages and managing livestock waste in a manner which protects water resources.

The Ministry is responsible for reviewing the adequacy of waste storage plans and waste management plans of ILOs. The Ministry is also responsible for inspecting ILOs’ waste storage facilities, reviewing their waste management records to assess compliance with approved plans, and enforcing requirements when operators do not comply with requirements.

According to the *2010 State of the Watershed Report*, the overall health of many Saskatchewan watersheds are stressed by human activity. The report indicates that manure production is one of the potential stressors on Saskatchewan watersheds. The effectiveness of the Ministry’s processes to regulate ILOs is essential to avoid and mitigate the potential threats posed by livestock waste to our current and future water resources.

<sup>3</sup> “Blue baby syndrome” is thought to be caused by high nitrate contamination in ground water resulting in decreased oxygen carrying capacity of haemoglobin in babies leading to death.

<sup>4</sup> [www.water.ca/wkd-guide-drink-water-1.asp](http://www.water.ca/wkd-guide-drink-water-1.asp) A Guide to Canada’s Drinking Water – Part 1 (22 October 2013).



## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether the Ministry had effective processes to regulate waste generated from intensive livestock operations in a manner that protects water resources (i.e., groundwater and surface water). We examined the Ministry's processes for the twelve-month period from September 1, 2012 to August 31, 2013.

We examined the Ministry's policies, procedures, processes, and database reports. We tested a sample of applications and approvals, interviewed Ministry staff, and attended ILO inspections along with Ministry staff.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's processes, we used criteria based on our related work, reviews of literature including reports of other auditors, and consultations with management. The Ministry's management agreed with the criteria (see **Figure 4**).

**Figure 4—Audit Criteria**

To have effective processes to regulate waste generated from ILOs, the Ministry of Agriculture should:

- 1. Approve construction of livestock waste storage**
  - 1.1 Set and communicate appropriate requirements for construction
  - 1.2 Review and approve livestock waste storage plans prior to commencement of operations
  - 1.3 Ensure operators meet construction requirements
- 2. Monitor waste management at ILOs**
  - 2.1 Set and communicate appropriate requirements for managing waste
  - 2.2 Review and approve waste management plans prior to commencement of operations
  - 2.3 Regularly assess compliance and monitor complaints
  - 2.4 Undertake sufficient environmental impact monitoring
- 3. Address and report non-compliance**
  - 3.1 Require action on non-compliance and serious risks with approved ILOs
  - 3.2 Implement strategies that identify and take action on non-approved ILOs
  - 3.3 Report non-compliance and serious risks to operators, senior management, other government agencies, and the public

**We concluded that, for the period from September 1, 2012 to August 31, 2013, the Ministry of Agriculture had effective processes to regulate waste generated from intensive livestock operations except it needs to:**

- › **Review pre-1996 intensive livestock operation approvals and confirm sufficient controls are in place**
- › **Determine the frequency of its intensive livestock operation inspections based on risk and then conduct inspections in accordance with its policy**

## 5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 4**.

## 5.1 Need to Review Pre-1996 Waste Storage Approvals

Every ILO has some form of waste storage and rainfall runoff containment – whether it is a manure stockpile, earthen manure storage, holding pond, or storage tank. Stored manure is eventually used as fertilizer for crops. The following briefly describes each type of storage.

- › An **earthen manure storage** is a containment structure built primarily of soil. It typically consists of an excavation below grade with low containment dikes above grade. It may include a compacted soil liner, a synthetic liner, or a composite liner. Dairy and hog operations typically use liquid waste systems which pump, flush, or drain liquid waste to large outside earthen manure storages.
- › **Holding ponds** are constructed as a control for rainfall runoff, mainly for cattle operations.
- › **Storage tanks** are generally constructed either above ground or in-ground and are used to collect liquid manure. Storage tanks at ILOs are least commonly used in the province.

*The Agricultural Operations Act* (1996) sets out the requirements that ILOs must meet to have a waste storage plan approved by the Minister. We also found the Ministry sets out its requirements for construction of waste storage plans in various manuals and technical guidelines. For example, the Ministry has a technical guideline that outlines the engineering requirements for designing earthen manure storages. The Ministry makes these available to ILO operators and consultants through its website and through publications, consultations with industry organizations, and trade shows.

When operators decide to construct or expand an ILO, they must first submit an application to the Ministry for approval of their proposed waste storage plan. Often the waste storage plan has been developed by or in consultation with a professional engineer.

When determining whether approval is necessary, one factor that the Ministry considers is the size of the livestock operation. It also collects key site information in the application such as topographic maps, geologic and groundwater maps, soil surveys and maps, well records and logs, satellite imagery and aerial photos. After Ministry staff conduct a site inspection, they may return the application to the applicant to require additional information before deciding whether to approve the waste storage plan.

For large ILOs, the notice of the application may be advertised in the local community and comments from the public are invited. We found the Ministry also consults with other agencies (e.g., Ministry of Environment, Water Security Agency, Ministry of Government Relations) and obtains their comments on the pending ILO approval. The Ministry confirms that ILO operators address comments (related to water source protection) received by other agencies prior to granting approval.

Ministry staff, who are professional engineers, review each ILO application for completeness and determine the geological risk level associated with the site (i.e., geologically secure, variable, or sensitive). The geological risk associated with the features of the site dictates what the Ministry requires for storage design and controls



(see **Exhibit 7.1**). Once the Ministry has established that the ILO has planned for adequate protection of groundwater and surface water in its proposed plans, it issues an approval to construct/expand the ILO according to the proposed plan.

For the sample of applications and approvals of new or expanded ILOs granted within the audit period that we examined, we found that the Ministry followed its requirements for properly reviewing and approving ILO constructions. We found the Ministry placed special conditions (e.g., ongoing groundwater monitoring at the ILO waste storage site, submission of as-constructed drawings following completion of construction) on some waste storage approvals.

The Ministry maintains a list of approved ILOs. We found that the Ministry's list of approved ILOs does not contain the geological risk rating of each ILO. Rather, the Ministry relies on staff knowledge as well as the paper files of each approved ILO to document geological risk information.

The Ministry assesses the environmental risk to water when reviewing the proposed waste storage plan and ensures the waste storage structure is built to mitigate those risks to water associated with the site. Ministry staff complete site inspections during the construction of waste storage structures to determine whether construction occurs in accordance with the approved plans. Staff are expected to be on-site during construction of storage structures and following the completion of construction. For earthen manure storage, Ministry inspections are specifically targeted to observe the final depth of excavation and liner placement during construction. For waste storage where the performance is highly dependent on the proper construction of a liner system, the Ministry requires monitoring and reporting by a professional engineer as a condition of its plan approval.

We observed that the Ministry's documentation showed that staff were on-site during and after construction to ensure the waste storage structures were built according to the approved plan. We also observed an on-site inspection done by the Ministry of an ILO construction and found it met the Ministry's requirements.

*The Agricultural Operations Act (Act)* became law in 1996. Provisions in the Act allow ILOs that obtained waste storage approval prior to October 1996 (pre-1996) to continue to operate with a previously approved waste storage plan even though waste storage requirements changed under the Act. According to the Ministry's records, there are 407 pre-1996 approvals where ILOs are currently operating and have not had any significant changes requiring a new approval.

We compared a sample of waste storage plans and waste management plans approved pre-1996 to current standards and practices. We found that one out of the five ILOs we sampled would have been constructed differently to minimize environmental risks.

The Ministry does not have a process to revisit approvals issued pre-1996 to determine if any changes are required under the current design standards and/or additional geological information has become available. It does not know how many operating pre-1996 ILOs do not meet current requirements. For example, it does not know how many of these ILOs may need to be upgraded to minimize the negative consequences to water resources. Adequate waste storage is key to protecting groundwater and surface water from possible contamination. The pre-1996 operating ILOs need to be reassessed to ensure sufficient controls are in place to mitigate environmental risk.



1. We recommend that the Ministry of Agriculture confirm that intensive livestock operations, that it approved prior to 1996, have sufficient controls to protect water resources.

## 5.2 Need to Revisit and Follow ILO Inspection Policy

Livestock waste is a good source of plant nutrients and organic matter that can improve crop productivity and soil quality if managed properly. Proper management requires that the manure be treated as a fertilizer rather than a waste. ILO operators are expected to assess the nutrient composition of the manure and then determine application based on the nutrient requirements of the crop to be grown. Soil testing can help indicate the right rates of nutrients to apply. Manure is usually applied to cropland once every three years, in the fall or the spring. ILOs' waste management plans should include the planned use of manure as fertilizer.

ILOs submit waste management plans to the Ministry along with their applications for new or expanded waste storages. The Ministry reviews and approves these waste management plans in conjunction with the waste storage applications.

The Ministry sets and communicates its requirements for managing waste as it does for waste storage – through the Act, technical guidelines, brochures, presentations, and policy manuals. The Ministry follows generally accepted agricultural practices for management of manure and dead animal disposition. The Act and regulations do not specify minimum and maximum thresholds for application of manure to cropland, or setback distances from watercourses. The legislation requires that the waste management plan ensures the proper protection of water resources. Therefore, the Ministry will assess waste management plans on a case-by-case basis for adequate protection controls.

There are two types of monitoring that may take place at an ILO once operations begin – soil and water monitoring. The Ministry assigns a special soil or water monitoring condition if it considers the location of the ILO to be geologically sensitive (see **Exhibit 7.1**). Of the 733 ILO approvals, the Ministry had 45 approvals with special conditions (e.g., a groundwater monitoring well used for a specified period of time). 24 ILOs have met the special conditions. For the other 21 approvals, the Ministry reviews environmental monitoring reports (i.e., groundwater quality or soil testing results) received from the ILOs on a periodic basis to ensure that ILOs have adequate storage and management safeguards to protect water.

Depending on the risks associated with manure application, the Ministry may require some ILO operators, as a condition of the Ministry-approved waste management plan, to undertake soil sampling related to the application of manure on a regular basis and document the results. The Ministry confirms these soil sampling results when it inspects sites during its review of other manure application information (e.g., manure application volumes). This inspection process ensures that the ILO operators apply manure at rates outlined in the approved waste management plans. Applying manure at a rate that exceeds the acceptable level can result in poor crop production or soil saturation. Soil



saturation can, in turn, have negative consequences on groundwater and surface water in close proximity to the over-applied manure.

The Ministry has a policy to carry out follow-up inspections (called re-inspections) at least every five years for certain ILOs. It requires ILOs greater than 1,000 animal units, are to be re-inspected every five years. The Ministry does not have documented risk-based decision support for the 1,000 animal units. The policy does not consider other factors such as results of the geological categorization of the site (see **Exhibit 1**), past inspections, or complaints when determining how often to inspect ILOs. We think the Ministry should use a risk-based approach to determine the frequency of inspections to ensure high-risk ILOs are inspected more frequently. ILOs with complaints or that have shown problems in past inspections may pose higher risks of damage to the environment and warrant more frequent inspections.

**2. We recommend that the Ministry of Agriculture set a risk-based inspection policy for re-inspections of intensive livestock operations.**

The Ministry maintains a list of ILOs requiring re-inspections. The Ministry has about 130 ILOs that it plans to inspect in a five-year period. There are six Ministry staff that carry out re-inspections. At each re-inspection the inspector evaluates the condition of the waste storage structures, reviews records of manure management and dead animal disposal, and documents the results in a checklist. Existing conditions and records are evaluated against the approved plans. We found in 10 out of 30 re-inspections that we sampled, Ministry staff did not complete the re-inspection checklist. In all 30 ILOs tested, Ministry staff sent a letter of summary inspection findings to the ILO operator following the inspection. Also, we noted that the Ministry staff followed up on any discrepancies identified during re-inspections within a reasonable period of time.

We also found that the Ministry did not consistently follow its policy of re-inspections within the five-year timeline. For 5 out of 30 ILOs we sampled, re-inspections were not carried out within the five-year time requirement. We also found nine ILOs, each with more than 1,000 animal units, that have not being re-inspected or contacted within the last five years.

As noted above, the Ministry maintains a list of approved ILOs. The list includes 55 ILOs that are categorized as “status unknown” which means the Ministry is not sure if the ILO is operating. The Ministry should update these 55 ILOs with accurate status information and conduct re-inspections where required.

Untimely re-inspections increase the risk of inadequate water protection going undetected for a longer period of time.

**3. We recommend that the Ministry of Agriculture inspect intensive livestock operations in accordance with its policy.**

As noted above, the Ministry may require groundwater monitoring be undertaken by the ILO operator as a condition of approval. ILOs build groundwater monitoring wells as part

of the construction of waste storage structures. These wells help identify if anything leaks out of the waste storage system. ILO operators can use either their own staff or hire engineers to sample liquids from the monitoring wells on a regular basis (e.g., annually). ILOs must submit the groundwater sampling results to the Ministry for review. We found that the Ministry is receiving and reviewing groundwater results where required.

The Ministry also works with other agencies and groups to monitor surface water quality at various locations within the province. Since 1998, the Ministry has operated a surface water monitoring program where Ministry staff collect and analyze regular water samples from streams in five selected areas where manure was spread on nearby land. Each of the five areas has approximately six sampling sites. Sampling occurs each spring during the snowmelt runoff period. In general under this program, the Ministry has determined that ILOs have had little impact or no greater impact than commercial fertilizers on surface water quality.

The Ministry published the results of the surface water monitoring program in 2003; it drafted but did not publish an updated report in 2010. Management advised that this was because of staff turnover. We encourage the Ministry to publish the results of its surface water monitoring on a regular basis. The Ministry indicated that it plans to publish a surface quality report in spring 2014.

### **5.3 Adequately Addressing Non-Compliance**

The Ministry has developed a policy to notify ILO operators of non-compliance with the waste storage plans and waste management plans. This policy also notes the escalation steps for enforcement activities when non-compliance continues over a period of time. For example, the Ministry first discusses the issue with the operator, sends a written letter, may issue a Notice of Violation followed by a Minister's Order, and then initiates court action if the issue is not corrected.

In our sample of approved ILOs, Ministry staff have identified minor corrective actions or recommendations for ILOs, and followed these up in a timely manner. The Ministry noted that bringing ILO operators into compliance generally did not require more than a written letter and on-site visits by inspectors to communicate the issue.

As noted above, the Ministry is not required to issue an approval for ILOs that store and manage waste but do not meet the criteria for which approved plans are required under the Act. The Ministry maintains, for future reference, a listing of ILOs that do not meet the criteria and did not require approval under the Act.

Although the Ministry does not actively look for ILOs that may fit the criteria under the Act and have not obtained its approval, it is made aware of potentially unapproved ILOs through a variety of ways. For example, it receives complaints, farmer inquiries, and referrals from rural municipalities, other government agencies, and lending institutions about livestock operations. Other Ministry programs, such as the Growing Forward program or Intensive Livestock Operation Environmental Rehabilitation Program, may also identify unapproved ILOs. In these cases, the Ministry notifies the livestock operator and works with them to determine if they require an approval under the Act. Ministry staff keep an open file on that livestock operation until a decision has been made (i.e., it has been approved or it determined the operation does not require an approval under



the Act). If an operator is not cooperative with the Ministry, the Ministry will commence enforcement action.

Senior management is kept informed of individual ILO issues as they move along the enforcement process through reports and briefing notes. Non-compliance issues are not made publicly available. The Ministry provides ILO operators with summary finding letters after re-inspections.

## 6.0 SELECTED REFERENCES

Office of the Auditor General of Alberta. (2004). *Confined Feeding Operations*. Author: Edmonton.

Office of the Auditor General Manitoba. (2007). *Audit of the Department of Conservation's Management of the Environmental Livestock Program*. Winnipeg: Author.

Saskatchewan Watershed Authority. (2010). *State of the Watershed Report*. Regina: Author.

Saskatchewan Agriculture, Food and Rural Revitalization. (2003). *2003 Surface Water Quality Monitoring Report for Intensive Livestock Operations*. Regina: Author.

## 7.0 EXHIBIT

**Exhibit 7.1 – Minimum design standards, construction criteria and monitoring plan required for varying geographical categories**

Category	Geologic & Hydrogeologic Setting	Minimum Design Standards	Minimum Construction Criteria	Monitoring Plan
Geologically Secure	<p>The floor of the manure storage must be separated from a usable groundwater resource by a uniform aquitard at least 10 metres thick.</p> <p>The Darcy flux<sup>5</sup> divided by matrix porosity through this minimum aquitard shall not exceed 0.15 cubic metres per square metre per year.</p>	Engineering calculations are required to confirm the minimum criteria.	<p>Over excavate any isolated sand lenses encountered and replace with compacted clayey material.</p> <p>Scarify the sub grade to a depth of 15-20 cm and recompact.</p> <p>Provide suitable erosion protection for inlets and agitation.</p>	Usually not required due to soundness of the site, but may be required at the discretion of the regulatory agency.

<sup>5</sup> The Darcy flux is defined as the flow per unit cross sectional area of the porous medium.

Category	Geologic & Hydrogeologic Setting	Minimum Design Standards	Minimum Construction Criteria	Monitoring Plan
Geologically Variable	The manure storage will be located in a surficial geologic formation with non-uniform conditions. An aquitard with uniform conditions exists between the surficial geologic formation and any usable groundwater resource.	Control of lateral flow is required. Compacted clay or synthetic liners are suitable design options.  Calculations and design drawings prepared by a registered professional engineer must support the design.	Construction is completed according to plans approved by a registered professional engineer. Quality control inspection during construction by a registered professional engineer is required.  As constructed engineering reports may be required by the approving authority.	Monitoring facilities may be required. Install wells according to standard engineering practice. The regulator may require a monitoring and reporting plan.
Geologically Sensitive	Complex geology with inter bedded clay and sand or gravel strata and there is insufficient or no aquitard separating the floor of the manure storage from a usable groundwater resource.	Engineered steel or concrete storage structures are suitable alternatives. Earthen manure storage options are limited and require advanced design including synthetic or composite liners, collection systems and extensive monitoring.  Calculations and design drawings prepared by a registered professional engineer must support the design.  Advanced seepage analysis (such as computer modelling) may be required.	Construction is completed according to plans approved by a registered professional engineer.  Quality control and inspection during construction by a registered professional engineer is required.  As constructed engineering reports, including construction monitoring reports may be required by the approving authority.	Submit a ground water monitoring plan for approval (timing, locations and frequency, reporting and measured analytical parameters) that will address design and site specific criteria.

Source: Saskatchewan Ministry of Agriculture's Site Characterization Manual



## Chapter 29

### Environment – Regulating Landfills

#### 1.0 MAIN POINTS

Municipalities and private companies own and operate landfills throughout the province. These owners are ultimately responsible for the operations of landfills and ensuring their landfills operate in an environmentally-sound manner. The Ministry of Environment (Environment) is responsible for regulating landfills.

Regulating landfill construction and operations is important, as this helps to ensure landfills do not contaminate the air, groundwater or surface water. Some landfills in the province are located over significant groundwater aquifers. Saskatchewan gets drinking water from both surface water (e.g., lakes and rivers) as well as groundwater aquifers. If contamination of the groundwater aquifer occurs, it may have to be abandoned as a source of drinking water, or the municipality may have to incur significant costs to treat the aquifer.

Environment regulates landfills by issuing permits (construction/expansion, operating and closure), reviewing environmental monitoring results, inspecting landfills and enforcing permit requirements.

Our audit for the period of September 1, 2012 to August 31, 2013 found Environment did not have effective processes to regulate landfills. Environment needs to strengthen its requirements for landfill construction and better monitor operating landfills. Environment also needs to better oversee landfill closures. In addition, Environment should ensure non-compliance issues are addressed consistently. Improved landfill regulation will help prevent groundwater contamination.

#### 2.0 INTRODUCTION

Under *The Environmental Management and Protection Act, 2002 (Act)*, Environment is responsible for enhancing and protecting the quality of the environment. Regulations under the Act, *The Municipal Refuse Management Regulations (1986)*, require Environment to permit landfills and transfer stations (i.e., sites at which waste is concentrated or accumulated for transportation to a landfill). In this chapter, we refer to transfer stations and landfills collectively as “landfills.”

Environment issues permits to landfill owners for constructing, operating, and closing landfills other than private landfills (e.g., those owned by farmers) or landfills on federal land. Currently, there are about 500 active municipal landfills, and nine industrial landfills<sup>1</sup> in the province.

As shown in **Figure 1**, Environment is responsible for regulating about 700 landfills throughout the province. As of June 30, 2013, Environment’s Landfills section had five staff responsible for regulating landfills.

<sup>1</sup> Industrial landfills operate under permits issued by the Ministry of Environment.



**Figure 1—Landfill Statistics**

	Municipal Landfill	Transfer Station	Industrial Landfill	Total
Operating	342	154	9	<b>505</b>
Closed	199	23	-	<b>222</b>
<b>Total</b>	<b>541</b>	<b>177</b>	<b>9</b>	<b>727</b>

Source: Ministry of Environment records

Saskatchewan’s total waste is increasing. For example, Saskatchewan’s volume of waste increased 3.8% from 2008 to 2010.<sup>2</sup> The waste generated in Saskatchewan is estimated to be between 993,963 and 1,027,313 tonnes per year. It is comprised of approximately 517,585 tonnes of industrial, commercial and institutional waste,<sup>3</sup> between 141,738 and 175,088 tonnes of construction, renovation and demolition waste, and 334,640 tonnes of residential waste.<sup>4</sup> Therefore, about one-third of Saskatchewan’s overall waste generated comes from residential sources. Most industrial, commercial, and residential waste is disposed of in Saskatchewan landfills.

### 3.0 MONITORING AND PROTECTING OUR WATER RESOURCES FROM LANDFILL CONTAMINATION

Waste management is an important factor in safeguarding human health and environmental protection. Managing waste and minimizing associated environmental impact has become more challenging as worldwide populations and economies continue to grow.

Landfills remain a necessary component of waste management, even with the significant efforts made to reduce, reuse, and recycle waste. Landfills are not designed to break down waste; rather, they are designed merely to bury it. Landfills must be designed to isolate waste from groundwater, and keep it dry and away from contact with the air. Under these circumstances, waste decomposes very little. As shown in **Figure 2**, some waste never decomposes.

**Figure 2—Estimated Decomposition Rates for Certain Items**

Item	Estimated Decomposition Time in a Landfill
Aluminum can	80 – 200 years
Apple core	1 – 2 months
Cigarette butt	1 – 5 years
Glass bottle	10,000 years
Milk carton	5 years
Paper bag	2 – 4 weeks if wet
Plastic jug	500 years
Styrofoam	Never

Source: [www.ways2gogreen.com](http://www.ways2gogreen.com)

<sup>2</sup> [www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/envir32a-eng.htm](http://www.statcan.gc.ca/tables-tableaux/sum-som/l01/cst01/envir32a-eng.htm) (29 September 2013).

<sup>3</sup> Industrial waste is generated through manufacturing; commercial waste is generated by commercial operations such as shopping centres, restaurants, offices, etc.; institutional waste is generated by institutional facilities such as schools, hospitals, etc.

<sup>4</sup> Earthbound Environmental Inc., StewardEdge Inc., MGM Management. *System Analysis of Saskatchewan Waste Management Practice and Costs*, (August 2009).



Currently, Saskatchewan's municipal landfills are filling up with waste that could be recycled or reused, including cardboard, plastic bottles, milk cartons and paper. Recycling programs are essential for waste management. While consumers have an obligation to reduce their waste, municipalities can play an active role in diverting waste from landfills. For example, both the cities of Regina and Saskatoon began a curbside residential recycling program in 2013.

Landfills must be designed and managed carefully to minimize and mitigate the potential negative effects on the environment such as the risks of contamination of groundwater, surface water, air and soil. In Saskatchewan, some landfills are located over significant aquifers (e.g., City of Regina landfill).<sup>5</sup> Water that we drink and use comes from lakes and rivers (i.e., surface water) and aquifers (i.e., groundwater). About 73% of municipal or communal waterworks use groundwater to serve 28% of Saskatchewan residents with drinking water, while 27% use surface water to serve about 57% of Saskatchewan residents.<sup>6</sup>

Landfills are a threat to water supplies when liquids (leachates)<sup>7</sup> percolate through waste, picking up a variety of substances such as metals, minerals, organic chemicals, and bacteria. Groundwater contamination may result from very small amounts of leachate. For example, it would take less than four drops of the carcinogen trichloroethylene<sup>8</sup> mixed with the amount of water found in an average-sized swimming pool to render the water undrinkable.<sup>9</sup> Once contaminated, aquifers can remain polluted for decades.

Because groundwater moves slowly, contamination problems can take a long time to appear. Contamination of groundwater can result in poor drinking water quality, loss of water supply, degraded surface water systems, high cleanup costs, high costs for alternative water supplies, and/or potential health problems. It is therefore preferable to prevent contamination from happening in the first place. Waste management strategies must carefully consider the location of landfills to reduce risks of leachate contaminating underlying groundwater.

Once a landfill site reaches capacity, it must be closed in a manner that ensures the long-term protection of the environment. Because the waste in a landfill can remain indefinitely, the post-closure period may extend for many decades. Post-closure care and monitoring is essential to minimize the risk of contaminants posing a concern to the environment.

According to the *2010 State of the Watershed Report*, the overall health of many Saskatchewan watersheds is stressed by human activity. In the report, landfills are identified as one of the stressors on watersheds in Saskatchewan. As such, the effectiveness of Environment's processes to regulate landfills is essential to avoid and mitigate the potential threats posed by landfills to our current and future water resources.

<sup>5</sup> [www.environment.gov.sk.ca/2007-067ProjectSpecificGuidelines](http://www.environment.gov.sk.ca/2007-067ProjectSpecificGuidelines), p. 5, (29 September 2013).

<sup>6</sup> [www.water.ca/wkd-guide-drink-water-1.asp](http://www.water.ca/wkd-guide-drink-water-1.asp) *A Guide to Canada's Drinking Water – Part 1* (22 October 2013).

<sup>7</sup> Leachate is a combination of sediments and chemicals produced when water leaches down through layers of solid waste.

<sup>8</sup> Trichloroethylene is a carcinogen typically found in landfill leachate.

<sup>9</sup> [www.wegreen-usa.org/landfill-problems.html](http://www.wegreen-usa.org/landfill-problems.html) (16 September 2013).



## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess whether Environment had effective processes to regulate landfills. We examined municipal landfills and transfer stations, as well as industrial landfills in our audit. We did not include federally-owned or privately-owned landfills. We examined Environment's processes to regulate landfills for the period of September 1, 2012 to August 31, 2013.

We examined Environment's policies, procedures, processes, database reports and website. We tested a sample of permits, interviewed Environment staff, and attended landfill inspections alongside Environment staff.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Environment's processes, we used criteria based on the work of other auditors and current literature listed in the selected references. Environment's management agreed with the criteria (see **Figure 3**).

**Figure 3—Audit Criteria**

To effectively regulate landfills, the Ministry of Environment should:

- 1. Approve landfill constructions and expansions**
  - 1.1 Set appropriate requirements for constructions/expansions
  - 1.2 Review and approve construction/expansion plans
  - 1.3 Ensure owners meet construction/expansion requirements
- 2. Monitor landfill operations**
  - 2.1 Set appropriate requirements for operations
  - 2.2 Regularly assess compliance with requirements
  - 2.3 Ensure sufficient environmental impact monitoring of operating landfills
- 3. Oversee landfill closures**
  - 3.1 Set appropriate requirements for closures
  - 3.2 Assess compliance with requirements
  - 3.3 Ensure sufficient environmental impact monitoring of closed landfills
- 4. Address and report non-compliance**
  - 4.1 Require action on non-compliance and serious risks
  - 4.2 Identify and take action on non-approved landfills
  - 4.3 Report non-compliance and serious risks to owners, senior management, and the public

**We concluded that, for the period of September 1, 2012 to August 31, 2013, the Ministry of Environment did not have effective processes to regulate landfills. Environment needs to strengthen its requirements for landfill construction and better monitor operating landfills. It also needs to better oversee landfill closures. In addition, Environment should ensure non-compliance issues are addressed consistently. Improved landfill regulation will help prevent groundwater contamination from occurring.**

## 5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 3**.

### 5.1 Standards Needed for Approving Landfill Constructions or Expansions

#### 5.1.1 Formalized Standards Needed for Landfill Construction or Expansion

Environment has established requirements and practices for issuing permits to construct or expand a landfill. *The Municipal Refuse Management Regulations* (Regulations) outline some information that applicants must provide when seeking to have a landfill approved by Environment. As environmental knowledge and techniques change, Environment has adapted its practices and expectations for the construction and expansion of new landfills.

Generally, Environment may only issue a few permits for new landfills; more commonly, it issues permits to expand existing landfills.

Although Environment's current application form for new landfills does not include all the information required by the Regulations, construction/expansion plans which often accompany applications provide the required information. Plans include maps of the area, surface drainage information, design drawings, required environmental monitoring and for larger landfills, technical investigations. When planning to construct larger landfills, applicants hire engineering consultants to undertake a technical investigation of the site. This investigation includes determining the location, depth, and water quality of water wells within two kilometers of the proposed landfill site.

Environment staff need site-specific information to determine the level of environmental risk associated with the landfill (A – high,<sup>10</sup> B – moderate, or C – low) and establish permit requirements for the landfill site based on those risks. Environment includes its requirements on approved permits issued to landfill owners.

In addition, Environment requires industrial landfills to provide financial assurances (e.g., letters of credit, trust agreements) at the onset of building and operating a landfill. The financial assurance must cover the costs to carry out the closure and cleanup plan. As of August 2013, Environment has not had to make use of the financial assurances provided by any of the nine industrial landfill operators in the province to clean up a landfill site.

We found that Environment has not set specific design requirements for landfill owners to follow and to assist Environment staff when assessing proposed landfill design plans. Such information would provide standard expectations on how to build landfills depending on their environmental risks. For example, certain landfills may require a

<sup>10</sup> High-risk landfills are ones that serve a population of greater than 5,000 people, are close to a water source (groundwater aquifer, lake, water well, etc.), and have soil in the area that is subject to permeation.



leachate collection and removal system depending on the type of waste accepted and water source receptors (e.g., groundwater aquifer) near the landfill site.

Environment plans to formalize its expectations for landfill site developments into requirements under a proposed Environmental Code.<sup>11</sup> The Code will form a type of regulation under *The Environmental Management and Protection Act, 2010*. As of September 2013, the Act was not yet proclaimed and the Code was not yet in effect.

Codes of operating practice provide standard guidance and promote environmentally-sound management practices at all landfills. We note that Alberta and Ontario also have codes of operating practice for landfills.

We found the proposed Code sufficiently outlines specific design requirements of landfills including the base layer required for various landfills, the buffer zone required around a landfill, and the number of groundwater monitoring wells required. Without specific design requirements, not all landfills may be built to the same environmental standard.

**1. We recommend that the Ministry of Environment adopt guidance on landfills from the proposed Environmental Code as operating practice.**

Many of Saskatchewan's 700 landfills were constructed prior to the current environmental regulatory requirements. Environment acknowledges that in the past, less consideration was given to the location of landfills and waste was dumped in low-lying areas, sloughs or over significant aquifers which enhanced the potential for leachate to contaminate groundwater.

Landfills that do not meet current design standards may need to be upgraded or closed to minimize the negative consequences to the environment. Rigorous monitoring of the environmental impacts of these sites is needed, as described in **Sections 5.2.3** and **5.3.3**.

To address older, improperly designed landfills, Environment has been encouraging older landfills to close and a regional landfill to serve a larger, surrounding area. The benefits of a regional landfill include lower capital, operating and maintenance costs, improved landfill operations, and enhanced waste minimization through a more comprehensive waste management system.<sup>12</sup> According to Environment, there is one new regional landfill site potentially opening in 2013-14, which will result in the closure of about 10 existing landfills.

## **5.1.2 Applications for Construction or Expansion Plans Properly Reviewed and Approved**

Environment properly reviewed and approved applications for recent construction or expansion plans prior to granting approval of permits.

<sup>11</sup> [www.environment.gov.sk.ca/Default.aspx?DN=90730c83-5bda-4d33-9b25-bcde57eef1e8](http://www.environment.gov.sk.ca/Default.aspx?DN=90730c83-5bda-4d33-9b25-bcde57eef1e8) (29 September 2013).

<sup>12</sup> [www.environment.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=523](http://www.environment.gov.sk.ca/adx/asp/adxGetMedia.aspx?DocID=523) (30 September 2013).

Environment requires proper site assessment before approving any new landfill or expansion. For example, new landfills are required to have clay or synthetic liners and leachate collection systems<sup>13</sup> to protect groundwater. We found that new and expanded landfills are being appropriately designed and approved.

Environment conducts a landfill site suitability review using the engineering consultant's report or landfill owner's application prior to issuing a permit to construct or expand a landfill. Environment requires significant construction projects to proceed through an environmental assessment review process. It also requires that landfills are sited in environmentally-sound locations, and are compatible with nearby land uses.

### 5.1.3 Not Verifying that Construction or Expansion Requirements are Met

Environment did not always ensure landfill owners met approved construction or expansion design requirements.

Environment does not consistently inspect landfills as they are being constructed to confirm construction meets the approved design plan. Upon completion of construction or expansion, Environment requires the landfill owner to submit "as-constructed" drawings and a certificate from an authorized engineer that supports that the construction has been carried out as per the approved plans. For new landfills, Environment issues a permit to operate after receipt of this certificate. Environment indicated that engineering certificates can take a long period of time to receive.

We found that in four out of the five construction/expansions we looked at, there was no evidence (e.g., engineering certificate) that the landfill was constructed as planned. Environment did not have evidence that engineering certificates were actively sought and yet some of these construction/expansions were approved two years ago.

Proper construction of landfills is essential for storing waste in a manner that protects water resources. Proper oversight of the construction is critical so that owners comply with Environment's approved construction or expansion design requirements.

- 2. We recommend that the Ministry of Environment obtain evidence, in a timely manner, that landfills are constructed in compliance with approved design plans.**

<sup>13</sup> A leachate collection system has perforate pipes that run through the landfill to collect leachate. These pipes carry leachate to a leachate collection pond where it is then removed and treated.



## 5.2 Improved Monitoring of Landfill Operations and Environmental Impact Needed

### 5.2.1 Requirements Set for Operating a Landfill

Out of the approximately 700 landfills that are permitted by Environment, about 500 are operational.

Environment uses permits as its primary vehicle to set requirements for operating a landfill. It requires operators to obtain a permit to operate before any waste is disposed of in a newly constructed landfill. The permit to establish, operate and maintain a landfill includes the location of the site, the operation and maintenance required at the site (often outlined in an operating plan), and the monitoring and reporting requirements the landfill owner must follow. Also, Environment makes policies available on its website that outline various operating procedures (e.g., compacting and covering waste).

### 5.2.2 Need to Assess Operating Compliance More Frequently

Environment did not assess compliance of landfill operators and owners with the requirements of its operating permits as frequently as required.

Environment uses routine inspections as its primary way to monitor whether landfill operators and owners comply with its permit requirements. Environment has assigned the responsibility for inspecting operating landfills to four Environment staff called Environmental Protection Officers (EPOs). The operating permit covers everything that an EPO will look for when performing their site inspections.

Environment expects and plans for EPOs to inspect landfills in accordance with predetermined frequency targets. The frequency target for landfills in cities is once a year and all other landfills are once every three years. Also, according to Environment, consistent with the proposed Code, those landfills identified as high risk (i.e., those labelled with an “A”, which are usually the larger sites), are targeted for inspection once a year. As of June 2013, Environment has identified approximately 170 operating landfill sites as “A” – high risk. If EPOs identify issues during inspection, Environment expects EPOs to inspect landfill sites more frequently so that the landfill operator/owners can address the identified issues in a timely way.

We found 30 out of 350 landfills were not inspected as frequently as Environment’s plan expects. In one instance, the length of time between inspections was almost six years.

Timely inspections are a good monitoring tool to ensure that landfills are operating in accordance with best practices and permit requirements.

**3. We recommend that the Ministry of Environment perform landfill inspections in accordance with its established frequency requirements.**

EPOs complete a standard comprehensive checklist for each municipal landfill inspection (see **Figure 4**). Completed inspection checklists, other than industrial landfill inspection reports are posted on a public website, [www.saskh20.ca](http://www.saskh20.ca) (SaskH2O website). We found that EPOs properly completed the checklists and posted them on the website.

**Figure 4—Summary of Areas Covered During Inspection of Municipal Landfills**

- › **Landfill location** - Is the landfill properly isolated? (e.g., is the landfill site 100 m from a highway and 500 m from a residence/motel/hotel?)
- › **Landfill perimeter** - What type of perimeter fencing is in place? Is the site gated and locked when the site is closed? Is there proper signage at the site entrance?
- › **Landfill operations** - Is the landfill operating properly? (e.g., is there evidence of unauthorized burning? Is litter blown off the site retrieved?) What is the landfill site's cover/compaction frequency?
- › **Landfill reporting** - Is the landfill's annual report submitted to Environment? Is there appropriate record keeping?

Source: Ministry of Environment's municipal landfill compliance inspection checklist

Environment requires some landfill sites to submit an annual report (usually not the smaller communities because they are considered low risk). Annual reports include operational information for the year (e.g., types and volume of waste accepted, environmental monitoring results). As noted in **Section 5.2.3**, we found annual reports that include groundwater monitoring results are not always timely.

### 5.2.3 More Environmental Impact Monitoring Needed

Environment's guidelines<sup>14</sup> expect that operating permits for certain landfill sites assessed with higher environmental risks require landfill owners or operators to carry out environmental monitoring of groundwater (e.g., to test the quality of groundwater on a regular basis [e.g. semi-annually or annually]) and to submit the results of their monitoring to Environment. Owners of municipal waterworks and private water supplies (e.g., a well on a farm) are responsible for having their water tested to ensure it is safe to drink.

More recent landfills have built groundwater monitoring wells into their design. These wells are intended to capture liquids that leak out of the landfill containment system and are used to monitor environmental impact on nearby groundwater. Landfill owners use either their own staff or hire engineers to sample liquids from the monitoring wells.

Eleven of the 25 landfills classified as high risk ("A") or moderate risk ("B") that we sampled did not have environmental monitoring requirements as part of the operating permit. Also, we found four instances where Environment had not received the required groundwater monitoring results and had not sought the missing annual reports from the landfill owners/operators.

Groundwater monitoring is used to detect groundwater contamination. Once groundwater contamination has occurred, groundwater may have to be abandoned as a source of drinking water. Contaminated groundwater can be treated in one of several ways:

<sup>14</sup> The proposed Environmental Code has explicit guidance on the frequency of required groundwater and leachate monitoring at landfills.



- › Containing the contaminant to prevent migration (e.g., clay wall)
- › Pumping the water, treating it, and returning it
- › Leaving the groundwater in place and treating either the water or the contaminant
- › Allowing the contaminant to reduce naturally with monitoring, following the implementation of an appropriate source control

Selection of the appropriate remedial action often takes into account cleanup costs and the potential risk to human health and the environment.

Not putting ongoing groundwater monitoring requirements into approved operating permits increases the risk that groundwater contamination may not be detected on a timely basis. Generally, the longer the contamination is left, the higher the risk to health and the greater the cost to clean up.

**4. We recommend that the Ministry of Environment amend operating permits for all high-risk landfills to ensure they require appropriate groundwater monitoring.**

**5. We recommend that the Ministry of Environment follow up on groundwater monitoring reports that are not received from landfill owners in a timely manner.**

## **5.3 Lack of Environmental Impact Monitoring at Closed Landfills**

### **5.3.1 Approvals Needed for Closed Landfills**

Closed landfills can continue to pose a groundwater contamination threat if they are not capped with an impermeable material such as clay before closure to prevent the leaching of contaminants by precipitation. Depending on the specifics of the landfill site, groundwater monitoring may be required to periodically check the integrity of the final cover.

The Regulations require landfill owners to submit a pre-closure proposal to Environment for approval. The pre-closure proposal outlines the steps the owner will take when closing the landfill.

Environment did not have approval of the pre-closure proposal on all 10 closed landfill files that we sampled. We note that larger landfills and industrial landfills often include future intended closure plans as part of their operating plans that are reviewed by Environment when operating permits are approved.



**6. We recommend that the Ministry of Environment review and approve landfill closure plans.**

### 5.3.2 Assessment of Closure Compliance Needed

It is important that Environment knows that landfill owners have closed landfills properly to ensure the risk of environmental contamination is reduced.

Environment indicated that certain landfill closures require a closure report from the landfill owner.

We found no evidence of closure reports on all 10 closed landfill files we sampled. According to Environment, landfill owners put a final cover on the top of the landfill site to prevent exposure to wind and rain and notified Environment of the closure. Environment then closed the file on the landfill (that is, discontinued active monitoring activities).

Environment does not consistently inspect and document landfill closures and it does not ensure landfill owners provide evidence of proper closing of the landfill (e.g., engineering certificate).

**7. We recommend that the Ministry of Environment confirm landfill closures are done in accordance with approved closure plans.**

Under the proposed Code, Environment will require a closure report prepared by a qualified person (e.g., engineering consultant) for all landfill closures.

### 5.3.3 Impact Monitoring of Closed Landfills Needed

When a landfill closes, the groundwater should be monitored for a long time (e.g. up to 30 years). As previously noted, owners of municipal waterworks and private water suppliers are responsible for having their water tested to ensure it is safe for human consumption.

Because Environment does not properly oversee landfill closures, it may not be aware of closed landfills that pose a serious risk to the environment.

Environment should perform an analysis to determine if there are closed landfills that need environmental monitoring, and require owners to monitor and report findings to Environment regularly. Monitoring would allow for early detection of contamination and therefore may result in lower clean-up costs.



- 8. We recommend that the Ministry of Environment perform a risk assessment of closed landfills and require landfill owners to undertake groundwater monitoring where required.**

## **5.4 Addressing Non-Compliance Needs Improvement**

### **5.4.1 Non-Compliance Not Consistently Addressed**

To identify issues with permit non-compliance, Environment uses landfill inspections, a complaint process, and observations of other Environment staff (e.g. Conservation Officers) when patrolling areas near landfill sites. EPOs typically track complaints, and follow them up either immediately or during the next site inspection, depending on the severity of the complaint. Conservation Officers may also become aware of illegal burning of waste occurring at landfill sites, and will inform Environment's Landfills section.

Environment has established a compliance framework for staff to achieve compliance with requirements set out in permits. The compliance framework provides staff with possible alternatives for communicating and enforcing non-compliance issues including documenting issues on inspection reports, verbal warnings, notice of violations, and laying charges. Environment has laid charges in the past for repeat violations (e.g., unauthorized waste burning).

We found 9 out of 30 permitted landfills had non-compliance issues that continued from one inspection to the next and limited enforcement action occurred. Some repeat non-compliance issues included landfills not meeting standard compaction and covering policies, and uncontrolled burning taking place. Guidance should outline required and consistent enforcement action based on the non-compliance issue.

- 9. We recommend that the Ministry of Environment establish guidance that will aid staff in consistently addressing landfill owners that do not comply with the law and permit requirements.**

### **5.4.2 Non-Permitted Landfills Addressed**

Environment passively monitors for unpermitted landfills through the complaint process and Conservation Officers patrolling various parts of the province. For example, EPOs may learn of illegal dumping through patrolling done by Conservation Officers. Environment gives those responsible for the illegal dumping a warning and asks for a plan to address the concerns. If concerns are not adequately addressed, Environment can pursue legal action.

We found that Environment is aware of some non-permitted sites and is in the process of obtaining and approving plans to address the violations.

### 5.4.3 Adequate Reporting of Non-Compliance

Environment reports non-compliance issues to landfill owners as each inspection is conducted. Also, as previously noted, Environment makes the results of each inspection public through its website (other than industrial landfills).

Environment requires the landfill owner to sign the completed inspection report. We found that landfill owners properly signed the completed checklists and Environment made them public as expected.

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## Chapter 30

# Saskatoon Regional Health Authority – Triage Emergency Department Patients

### 1.0 MAIN POINTS

As part of its mandate, Saskatoon Regional Health Authority (Saskatoon RHA) provides emergency healthcare services to residents of Saskatoon RHA through its emergency departments. Emergency departments must prioritize (triage) patients quickly and appropriately in order to provide immediate care to patients experiencing life-threatening medical conditions and timely care to other patients. Lack of effective processes to provide services in emergency departments could undermine public confidence in the healthcare system.

This audit examined the effectiveness of Saskatoon RHA's processes to triage patients in its three City of Saskatoon hospital emergency departments. We examined processes to treat patients from their arrival in emergency to when they are first seen by an emergency department physician for the 12-month period ending August 31, 2013.

In Saskatoon RHA, effective triaging of emergency patients is impacted by factors outside the control of the emergency department. These factors include patients with less-urgent or non-urgent conditions seeking services, the use of emergency departments for specialist consultations, and acute care bed availability.

To address these factors, Saskatoon RHA needs to establish a process to achieve its goal of reducing less-urgent and non-urgent patient visits to its emergency departments, provide consultant care for less-urgent or non-urgent patients outside of its emergency departments, and establish an integrated process to manage beds for emergency departments, acute care and long-term care.

Saskatoon RHA did not have effective processes to triage patients from the time they arrive at the emergency department to when they see a physician for the first time in its three city hospital emergency departments. It needs to give better directions to emergency patients, follow established processes when triaging those patients, and periodically review its triage process.

We make eight recommendations to help Saskatoon RHA achieve its five-year outcome goals that no patient will wait for emergency care, and patients seeking non-emergency care in the emergency department will have access to more appropriate care settings.

We encourage other regional health authorities to use the criteria in this chapter to assess the effectiveness of their own processes to triage patients in their hospital emergency departments.



## 2.0 INTRODUCTION

Under *The Regional Health Services Act*, regional health authorities are responsible for the delivery and operation of healthcare services in Saskatchewan. As such, they are responsible for emergency healthcare services provided in hospitals in their regions.

Saskatoon RHA is the largest health region in the province, with a population of over 323,000 residents.<sup>1</sup> As shown in **Figure 1**, it has 10 hospitals. The three hospitals in the City of Saskatoon all have full-service emergency departments.<sup>2</sup> Royal University Hospital and St. Paul's Hospital operate their emergency departments 24 hours a day, seven days a week. City Hospital operates its emergency department 12 hours a day, seven days a week.

This chapter sets out the results of our audit of the processes to triage emergency patients in the three hospital emergency departments in the City of Saskatoon. The processes we examined were from patient arrival in emergency to when they are first seen by an emergency department physician.

**Figure 1 – Hospital Facilities in Saskatoon RHA**

Facility	Community
Royal University Hospital	Saskatoon
Saskatoon City Hospital	Saskatoon
St. Paul's Hospital	Saskatoon
Lanigan Hospital	Lanigan
Rosthern Hospital	Rosthern
Humboldt District Hospital	Humboldt
Wadena Hospital	Wadena
Watrous Hospital	Watrous
Wynyard Hospital	Wynyard
Wakaw Hospital	Wakaw

Source: Saskatoon Health Region Facilities/Hospitals; [www.saskatoonhealthregion.ca](http://www.saskatoonhealthregion.ca)

## 3.0 BACKGROUND

Emergency departments are critical components of the healthcare system that affect patient safety and public confidence in the healthcare system. Hospital emergency departments are highly visible access points into the healthcare system. Delays and overcrowding in emergency departments are frequent subjects of media reports. Lack of effective processes in emergency departments could undermine public confidence in the healthcare system.

<sup>1</sup> Saskatchewan Ministry of Health, *Covered Population 2012*, (2012).

<sup>2</sup> *The Facility Designation Regulations* require all hospitals in the region to provide emergency stabilization services. The three hospitals in the City of Saskatoon also provide emergency and trauma services.

Emergency departments often handle large volumes of patients each day. They must prioritize patients quickly and appropriately in order to provide immediate care to those patients experiencing life-threatening medical incidents and timely care to other patients – this is called triaging.<sup>3</sup> Lack of timely and appropriate medical care could result in complications adversely affecting the health of a patient and possibly resulting in an additional financial burden on the healthcare system.

Widely-accepted best practices exist for quickly prioritizing patients based on urgency. The Canadian Association of Emergency Physicians, National Emergency Nurses Affiliation of Canada, and L'association des médecins d'urgence du Québec have endorsed a tool for prioritizing emergency patients – the Canadian Triage and Acuity Scale (CTAS).<sup>4</sup> Saskatoon RHA uses these standards.

The CTAS and its accompanying implementation guidelines<sup>5</sup> provide health professionals in Canadian emergency departments with guidance to triage patients into five levels. These levels range from the least serious conditions (CTAS V), which include, for example, sore throats and mild abdominal pain to the most serious (CTAS I), which include such conditions as unconsciousness or cardiac arrest.<sup>6</sup>

In addition to these levels, the CTAS guidelines provide:

- › Time goals (i.e., the length of time patients at each level wait to see a physician once they have entered the emergency department). As shown in **Figure 2**, CTAS time goals vary by level (e.g., immediate care for CTAS I to about two hours for CTAS V)
- › Documentation requirements
- › Standards for reassessment of waiting patients (i.e., how often patients waiting to be assessed by a physician should be reassessed by a triage nurse)
- › Guidelines for triage audits (i.e., mechanisms for reviewing assessments to ensure levels are assigned appropriately)

**Figure 2—CTAS Levels and Time Goals**

CTAS Level	Severity of Condition	Goal to be seen by physician
CTAS I	Resuscitation	Immediate
CTAS II	Emergent	15 minutes
CTAS III	Urgent	30 minutes
CTAS IV	Less-Urgent	60 minutes
CTAS V	Non-Urgent	120 minutes

Source: CTAS Implementation Guidelines

Saskatoon RHA has set five-year outcome goals which state that by March 31, 2017:

- › No patient will wait for emergency department care

<sup>3</sup> Triage is a system where by patients are evaluated and categorized according to the seriousness of their injuries or illnesses with a view to prioritizing treatment and other resources. [www.oxfordreference.com](http://www.oxfordreference.com) (10 October 2013).

<sup>4</sup> [www.caep.ca/resources/ctas](http://www.caep.ca/resources/ctas) (28 August 2013).

<sup>5</sup> [www.caep.ca/resources/ctas/implementation-guidelines](http://www.caep.ca/resources/ctas/implementation-guidelines) (28 August 2013).

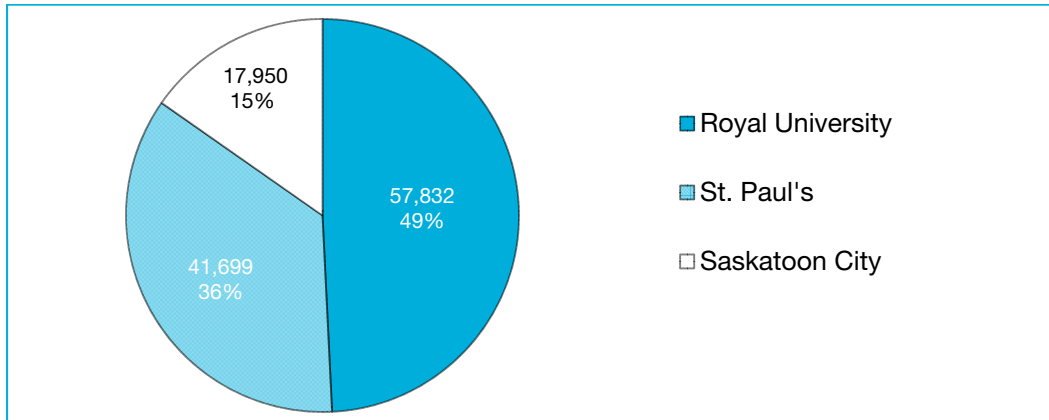
<sup>6</sup> Ibid.



- Patients seeking non-emergency care in the emergency department will have access to more appropriate care settings<sup>7</sup>

For the year ended March 31, 2013, the three hospital emergency departments in Saskatoon had 117,481 patient visits. **Figure 3** shows the volume and percentage of the 2012-13 patient visits handled by each of the three emergency departments.

**Figure 3—Volume and Percentage of Patient Visits in each Saskatoon Hospital Emergency Department for the year ended March 31, 2013**



Source: Saskatoon Regional Health Authority Strategic Health Information and Performance Supports (SHIPS)

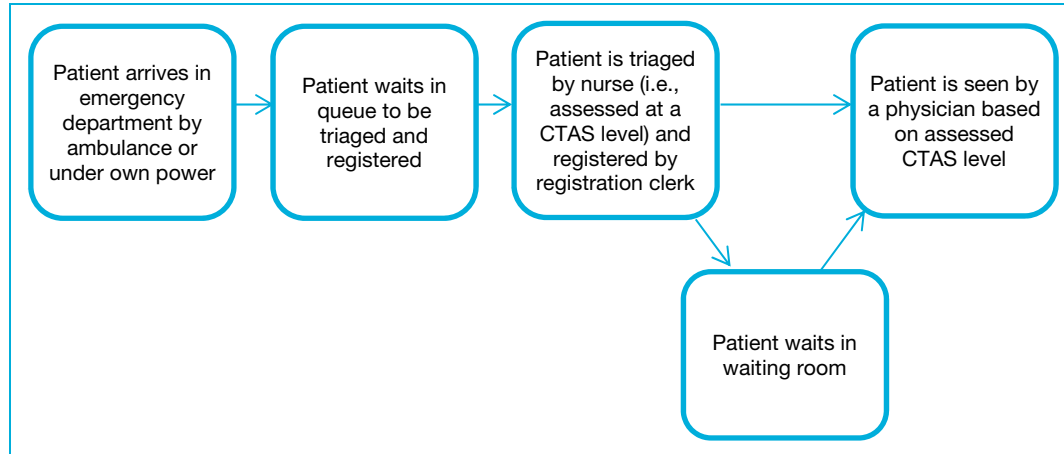
**Figure 4** shows the basic process for patients from the time they arrive at an emergency department to when they see a physician for the first time. In Saskatoon, patients arriving by ambulance may or may not go through the normal triage process, depending on the severity of their condition. When ambulatory patients<sup>8</sup> enter an emergency department, they are usually asked to wait in a queue for their turn to be triaged by a triage nurse and registered by a hospital registration clerk.

After being triaged and registered, patients are either directed immediately to the emergency department's assessment and treatment area where they are monitored by nurses and ultimately seen by a physician, or to the waiting room to wait until a space in the assessment and treatment area becomes available.

<sup>7</sup> Saskatoon Regional Health Authority, *2012-13 Annual Report*, (2013).

<sup>8</sup> Ambulatory patients are capable of walking.



**Figure 4—Emergency Department Process**

Source: Adapted from material provided by Saskatoon Regional Health Authority Kaizen Operational Team

Based on the examination, the physician determines the treatment plan for the patient (e.g., orders and reviews the results of diagnostic tests such as x-rays), prescribes specific treatments (e.g., prescription medication), and either admits the patient into the hospital's acute care<sup>9</sup> wards for continued monitoring and treatment or discharges the patient.

### 3.1 Bottlenecks to Effective Triage

In Saskatoon RHA, effective triage of patients in an emergency department setting is seriously impacted by other factors. Many of these factors are outside the control of the emergency department; however, those factors need to be described to better understand the issues impacting the delivery of services.

#### 3.1.1 Lack of Alternate Care

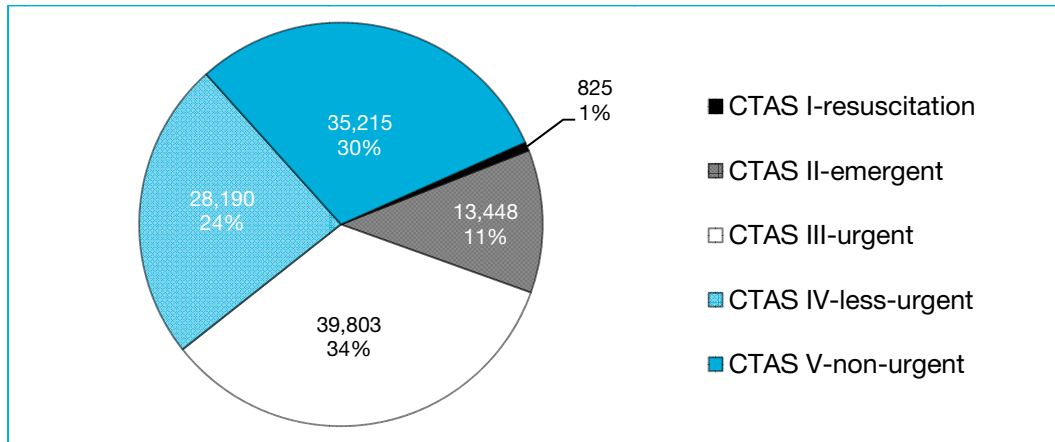
Demand on emergency departments can be challenging when patients with less-urgent or non-urgent conditions seek health services from emergency instead of medical clinics, or seek health service from emergency during evenings and weekends when medical clinics are closed or not readily available. Management also indicated that people with chronic conditions or serious but less-urgent health problems frequently come to the emergency department because they cannot obtain community support, long-term care, palliative care or access to specialists on a timely basis. Some of these patients could be treated more cost effectively elsewhere if such services were more readily available.

As shown in **Figure 5**, 30% of the patients that visit a Saskatoon emergency department are triaged as a Level V (i.e., non-urgent).

<sup>9</sup> Acute care is where a patient receives necessary treatment for a disease or severe episode of illness for a short period of time. [www.cihi.ca](http://www.cihi.ca) (10 October 2013).



**Figure 5—Volume and Percentage of Patient Visits by CTAS Level for the year ended March 31, 2013**



Source: Saskatoon Regional Health Authority Strategic Health Information and Performance Supports (SHIPS)

Approximately 40% of the visits to Saskatoon emergency departments occur between 4:00 p.m. and 12:00 a.m., with most visits at Royal University and St. Paul’s hospitals because of their longer hours of operation (see **Section 2.0** for details on hours of operation).

Saskatoon RHA has set a goal to reduce the less-urgent and non-urgent patient visits to emergency departments by 25% for 2013-14.<sup>10</sup> However, it has not yet identified action plans or established processes to achieve this goal.

- 1. We recommend that Saskatoon Regional Health Authority establish a process to achieve its goal of reducing less-urgent and non-urgent patient visits to its emergency departments.**

### 3.1.2 Use of Emergency Departments for Specialist Consultations

Saskatoon RHA allows specialist physicians (consultants) to ask patients to meet them at emergency departments for consultations. These consultations represent about 17% of all of Saskatoon’s emergency department visits. The use of emergency rooms for specialist consultations negatively affects triage and emergency patient wait times in two ways:

- › First, given that all patients who visit emergency must be triaged and registered before seeing a physician, triage nurses spend time with patients who arrive at emergency with the sole purpose of meeting with a consultant. This extends the wait time for other patients who may need more urgent care.
- › Second, the consultations taking place in emergency departments use assessment and treatment areas that could be used to assess and treat patients who have visited emergency for immediate care of more urgent conditions.

<sup>10</sup> Saskatoon Regional Health Authority, *2013-14 Future State Value Stream Map and Kaizen Plan – Acute Medicine and Complex Care – Emergency – In Patient*, (2013).

Management acknowledges that the use of emergency rooms for consultants causes a significant bottleneck within emergency departments. Saskatoon RHA has set a goal to reduce patients seen by consultants in emergency departments by 25% for 2013-14.<sup>11</sup> However, it has not yet identified action plans or established processes to achieve this goal.

- 2. We recommend that Saskatoon Regional Health Authority provide consultant care for less-urgent or non-urgent patients outside of its emergency departments.**

### 3.1.3 Acute Care Bed Availability

When an emergency department physician decides that a patient must be admitted to an acute care bed and there is no such bed available, the patient can wait a significant time in an emergency department assessment and treatment bed before moving to an acute care bed. The number of emergency patients waiting for acute care beds in emergency beds means that those beds cannot be used for assessment and treatment of other emergency patients, adding to wait times.

For the year ended March 31, 2013, 63% of the patients who visited a Saskatoon emergency department stayed longer than six hours. At the Royal University Hospital, the average length of stay in emergency for a patient waiting to be admitted was approximately 12 hours. In April, May, and June 2013, 10% of Saskatoon emergency patients waited more than 18 hours for an acute care bed after the physician decided to admit them. During our period of observation, one hospital had more than 40% of its emergency room beds occupied by patients waiting for an acute care bed.

In August 2013, management indicated that over 90 patients were waiting in acute care settings in the region for long-term care beds to become available. This impacted the availability of acute care beds needed for emergency patients and other patients.

Also, Saskatoon emergency departments may experience delays in becoming aware of the availability of acute beds as the Sunrise Clinical Manager system (emergency department system, see **Section 5.2.1**) does not interface with Saskatoon RHA's bed management system. As such, when an acute care bed becomes available in a medical wing, the emergency department is not automatically notified. Staff indicated this was a limitation of the software.

Saskatoon RHA has set a goal to reduce the time that patients are waiting for an acute care bed in emergency departments by 25% for 2013-14.<sup>12</sup> However, it has not yet identified action plans or established processes to achieve this goal.

<sup>11</sup> Ibid.

<sup>12</sup> Ibid.



- 3. We recommend that Saskatoon Regional Health Authority establish an integrated process to manage beds for emergency departments, acute care and long-term care.**

### 3.1.4 Physical Design

As described later in **Section 5.2.2**, the physical layout of the Royal University Hospital emergency department poses significant barriers to the effective delivery of emergency services. The department was designed to handle considerably smaller volumes of patients than current volumes. Patients on ambulance stretchers and ambulatory patients arrive through the same doors. Nursing staff cannot observe patients in the waiting room from the triage desks. The triage line is in a corridor and is not well identified.

A new Royal University Hospital emergency department is scheduled for completion by 2017.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess the effectiveness of Saskatoon RHA's processes to triage patients in its three City of Saskatoon hospital emergency departments. We examined processes to treat patients from their arrival in emergency to when they are first seen by an emergency physician for the 12-month period ending August 31, 2013.

We examined Saskatoon RHA's policies and procedures that relate to triage of emergency patients. We interviewed management and staff, reviewed data provided by Saskatoon RHA, and tested a sample of triage documents.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate Saskatoon RHA's processes, we used criteria based in part on the CTAS and guidelines. Management of Saskatoon RHA agreed with the criteria (see **Figure 6**).

**Figure 6—Audit Criteria**

To have effective processes to triage patients in its three city hospital emergency departments, Saskatoon Regional Health Authority should:

- 1. Plan for the effective triage of emergency department patients**
  - 1.1 Set standards for triage of emergency department patients
  - 1.2 Set procedures for following standards
  - 1.3 Assign appropriate staff to emergency departments
  - 1.4 Set performance measures and targets for assessing emergency department patients
  - 1.5 Communicate standards and procedures
- 2. Triage emergency department patients in an appropriate and timely manner**
  - 2.1 Conduct and document triage assessments on patients
  - 2.2 Reassess patients based on standards and document reassessments
  - 2.3 Have patients examined by a physician within set time standards

**3. Monitor performance**

- 3.1 Regularly audit triage documentation to determine if triage is being properly conducted
- 3.2 Collect information on performance
- 3.3 Analyze collected information
- 3.4 Track and address complaints and critical incidents
- 3.5 Report on performance to senior management and the public

**We concluded that for the period of September 1, 2012 to August 31, 2013, Saskatoon RHA did not have effective processes to triage patients in its three city hospital emergency departments. It needs to:**

- › **Give better directions to emergency patients**
- › **Follow established standards and processes when triaging emergency patients**
- › **Periodically review the triage process for emergency patients**

We make five recommendations to help improve Saskatoon RHA's processes to triage emergency department patients. These recommendations, along with the three recommendations in **Section 3.1** that address bottlenecks to effective triage, would help Saskatoon RHA achieve its five-year outcome goals that no patient will wait for emergency department care and patients seeking non-emergency care in the emergency department will have access to more appropriate care settings.

## 5.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we set out our key findings by criterion along with the related recommendations.

### 5.1 Standards and Procedures in Place

#### 5.1.1 Standards in Place

Saskatoon RHA has adopted the CTAS and guidelines, as described in **Section 3.0**, as its standard for delivery of services in its emergency departments. Also, it makes available to its staff the extensive literature of the Canadian Association of Emergency Physicians and the National Emergency Nurses Affiliation of Canada. The use of this literature helps staff understand and follow national best practice standards.

Also, Saskatoon RHA maintains regional policies and procedures for the delivery of health services including the provision of services in emergency departments. These emergency department policies include the role of triage nurses, medical directives,<sup>13</sup> and criteria to determine when patients already assigned a CTAS level should be further classified as trauma patients and to determine the severity of the trauma.<sup>14</sup>

<sup>13</sup> Medical directives give nurses the authority to perform basic medical interventions on patients who present with specific symptoms and who are waiting to see a physician.

<sup>14</sup> Saskatoon Regional Health Authority categorizes emergency patients with trauma as Level 1 - requiring the surgeon on call to be the lead physician, or Level 2 - an emergency physician is to be the lead physician.



## 5.1.2 Guidance in Place

Saskatoon RHA provides staff with guidance on meeting the standards set out in its policies. For example, guidance includes how to register patients at their bedside when they have been sent directly to the assessment and treatment area of the emergency department, and procedures for re-contacting patients who were triaged but left without seeing an emergency physician.

Triaging standards and procedures are readily available to staff - they are kept in binders at triage stations within each emergency department and on the region's intranet. Triage nurses can also access the professional guidelines of the National Emergency Nurses Affiliation on Saskatoon RHA's intranet.

Additionally, Saskatoon RHA is currently participating in the provincial healthcare system's LEAN quality improvement process (LEAN).<sup>15</sup> During the audit period, it identified 13 areas for improvement and has initiated and/or completed work on eight areas in its emergency departments.

For each of its LEAN initiatives, Saskatoon RHA develops and implements a series of procedures, or "work standards" for staff providing very detailed instructions (e.g., how many seconds it should take to perform a specific task). For example, in 2012 Saskatoon RHA implemented a parallel registration and triage process, whereby patients are simultaneously triaged by a nurse and registered in the hospital by a registration clerk. It has set out specific guidance for both the nurse and the registration clerk, such as how long (measured in seconds and minutes) it should take to greet patients and ask them specific questions. This new process reduced the triage/registration time significantly.

These work standards are also readily available to staff in a designated place within each emergency department and on the region's intranet. Emergency department managers ensure all staff members receive training on new work standards implemented so that work is done consistently and that recently implemented procedures are followed by all staff.

## 5.1.3 Appropriate Staff Assigned

Most physicians working in Saskatoon's emergency departments have the CCFP-EM designation (a "two plus one" certification meaning that they practice family medicine for two years and then train as an emergency specialist for one year), or the FRCP-EM designation (certification requiring a five-year residency in an emergency department setting).

Also, emergency departments in Saskatoon are staffed by nurses who have additional training specific to the skills needed to work in an emergency environment. Saskatoon RHA uses a "staged" training process for emergency nurses. This training process includes various formal training courses and on-the-job training. Before experienced emergency nurses can triage patients, they must receive further training. Formal classroom teaching educates new triage nurses to assign CTAS levels, carry out procedures for triaging and registering patients, and conduct customer service. On-the-

<sup>15</sup> LEAN is a quality improvement methodology currently being used by the Ministry of Health, RHAs, and the Saskatchewan Cancer Agency to identify and reduce inefficiencies in service delivery.

job training includes “buddy shifts” with experienced triage nurses to supplement formal education.

Triage nursing stations in emergency departments are staffed according to patient volume. During peak volume times (typically between 12:00 p.m. and 12:00 a.m.), two triage nurses work; during other periods of the day, which typically have lower patient volume, one triage nurse works.

### 5.1.4 Measures and Targets Set

Saskatoon RHA has set five-year outcome goals as described in **Section 3.0**. These outcome goals are consistent with those set by the Ministry of Health as part of its provincial Health System Plan.<sup>16</sup> As part of these outcome goals, Saskatoon RHA has identified the following improvement targets:

- › By March 2014, improve patient flow and efficiencies to achieve a 50% reduction in the number of patients waiting in the emergency department for an acute care bed
- › By March 2015, reduce wait times for emergency department care by 50%
- › By March 2015, achieve a 100% reduction in the number of patients waiting in the emergency department for an acute care bed<sup>17</sup>

Saskatoon RHA uses various measures to assess the performance of its emergency departments and its progress toward meeting its improvement targets and five-year outcome goals. Each of its performance measures has an associated target. For example, daily performance measures include:

- › The number of patients who are triaged as CTAS II who see a physician within the CTAS-recommended timeframe of 15 minutes
- › The number of patients who leave the emergency waiting room before seeing an emergency department physician
- › The number of patients in the emergency department waiting for an acute care bed to become available in the hospital
- › Incidents of harm to patients or staff
- › The average time emergency patients wait to be admitted into the hospital

Saskatoon RHA has also identified a number of LEAN-specific performance measures (as further described in **Section 5.3.2**). For each of its LEAN initiatives, the LEAN project team identifies a number of performance measures, and management selects two for ongoing monitoring. Saskatoon RHA measures its progress at 30-, 60-, 90- and 180-day intervals. When it meets and sustains a LEAN initiative’s target at one of its facilities, it introduces and implements those new processes at its other facilities.

<sup>16</sup> Saskatchewan Ministry of Health, *2013-14 Health System Plan*, (2013), p. 10.

<sup>17</sup> Saskatoon Regional Health Authority, *2012-13 Annual Report*, (2013).



## 5.1.5 Standards and Procedures Communicated to Staff and Patients

Saskatoon RHA trains its nursing staff on its policies and procedures during their initial orientation and training. Emergency department orientation includes procedures for following policies, medical directives, and the standards associated with CTAS scoring.

Each morning, nurse managers address their emergency department staff. In these team “huddles”, nurse managers communicate statistics and performance measures from the previous day and any issues arising. For example, we observed a nurse manager pointing out to staff that a documentation policy was not being regularly followed and reminded them to follow procedures.

Since August 2013, Saskatoon RHA has made available to patients a guidance pamphlet of basic emergency department information. It developed this pamphlet in conjunction with the Emergency Department Patient and Advisory Council. We also observed signs within the emergency departments advising patients that they will be seen based on the urgency of their condition (i.e., those with more serious medical issues are seen first).

## 5.2 Need to Triage Emergency Department Patients in a Timely Manner

### 5.2.1 Processes to Assign Triage Levels are Adequate

In 2011, Saskatoon RHA adopted and implemented the Sunrise Clinical Manager (SCM) system. Use of SCM reduces the subjectivity of staff in determining a patient’s CTAS level during the triage process. SCM is a software program that coordinates patient flow and tracks information in emergency departments from triage to treatment to admission or discharge. It includes an automated triage mechanism that requires triage nurses to enter specific patient information in the system to automatically generate a CTAS level based on the primary complaint (e.g., abdominal pain, head injury, vertigo) and objective patient information (e.g., vital signs such as blood pressure).

Nurses can increase but not reduce this CTAS level when they assess that the patient’s needs are more severe than SCM has determined. For example, SCM may prioritize a patient presenting with abdominal pain as a CTAS IV or V, whereas an experienced triage nurse may observe that the patient is in significant discomfort or recognize something in the patient’s history that indicates that SCM’s level is too low. We found that in 47% of files we examined, the triage nurses had overridden the SCM-generated CTAS level and increased the level.

Not allowing triage nurses to lower a SCM-generated CTAS level (i.e., a patient who has been prioritized as a CTAS II cannot be lowered to a CTAS III) reduces the risk that patients may be “under-triaged.”

Patients with very serious conditions (e.g., CTAS I, which includes unconscious patients or those experiencing a heart attack) are taken immediately to the assessment and treatment areas. Staff register and triage them at bedside once they have been



stabilized. These patients typically arrive in an ambulance. Only about 1% of all patient visits to emergency departments in Saskatoon are CTAS I.

### 5.2.2 Direction for Patients Needs Improvement

We noted that patients found the physical layout of Saskatoon's emergency departments confusing, resulting in frustration and some patients leaving the department before seeing a triage nurse and being registered, or leaving after being triaged and registered but before seeing a physician. In Saskatoon's emergency departments, the triage waiting lines are configured with a series of chairs in which patients sit in order of arrival, moving down the line when the next patient in the queue is able to be triaged and registered. These triage lines are not well identified. We observed that it would be possible for a patient to miss the triage line and wait in the waiting room without being assessed by a triage nurse.

Also, in the Royal University Hospital emergency department, staff at the triage desk cannot directly see into the waiting room. Because, as noted in **Section 5.2.3**, patients are not being reassessed in waiting rooms, there is a risk that patients could sit in the waiting room without being seen for a significant length of time or their condition could deteriorate without being noticed.

4. **We recommend that Saskatoon Regional Health Authority implement a process to direct patients entering its emergency departments to the appropriate areas for assessment and reassessment.**

### 5.2.3 Patients Not being Reassessed in Waiting Room

Both CTAS best practice standards and Saskatoon RHA's policies expect patients to be "reassessed" by a triage nurse between being triaged and seeing a physician. The standards expect these reassessments to occur within the CTAS time goals for patients to see physicians (see **Figure 2**). For example, a waiting CTAS II patient should be reassessed by a triage nurse every 15 minutes until the physician assessment. Management indicated that nurses should be doing these reassessments, but did not expect nurses to document all the reassessments.

Reassessments ensure patients receive prompt medical attention if their condition worsens (i.e., a patient prioritized as a CTAS III may deteriorate to the point of being a CTAS II). When we observed waiting rooms, nurses did not leave their triage stations to reassess previously-triaged patients in waiting rooms. Management acknowledged that triage nurses seldom have time to leave the triage stations to do reassessments.

If triage nurses do not regularly reassess patients, it increases the risk that the patients' condition may deteriorate after being triaged without being detected, before they see a physician.



**5. We recommend that Saskatoon Regional Health Authority staff routinely reassess patients in emergency department waiting rooms to determine that their conditions have not deteriorated.**

On the positive side, we observed that patients had a very short wait time to see a physician once they were moved to the assessment and treatment beds.

#### **5.2.4 Physicians Not Seeing Patients within Established Time Goals**

Of the triage files we reviewed, 48% of patients (CTAS II-CTAS V) were not seen by a physician within the CTAS time goals. Management of Saskatoon RHA is aware of the difficulties meeting the CTAS time goals and has started or implemented some initiatives (see **Section 5.3.2**) to address these difficulties.

In its annual reports, Saskatoon RHA reported how often it meets its standard of CTAS II patients being seen by a physician within 15 minutes (e.g., 2012-13: 63% of the time). Although Saskatoon RHA indicates that it collects and reports its performance using the CTAS time goals, we found that it does not. The CTAS time goals measure the length of time patients at each CTAS level wait to see a physician once they have entered the emergency department. However, Saskatoon RHA's measurement of time does not include how long patients wait between arriving at emergency, and being triaged.

The length of time patients wait between arriving at an emergency department and triage can be significant. In one of its emergency departments, Saskatoon RHA estimates that patients wait on average at least 25 minutes to be triaged, and at peak emergency hours may wait over an hour. For example, the time goal for a CTAS II patient to see a physician is 15 minutes from when the patient arrives at an emergency department. However, a CTAS II patient that is reported as being seen by a physician within the time goal might have waited 25 minutes just to be triaged; therefore, the time goal has not actually been met. Exclusion of this wait time results in inaccurate reporting and patients not being seen by physicians within CTAS time goals.

To more accurately measure the length of time patients wait to see a physician in emergency departments, Saskatoon RHA must systematically collect data on how long it takes patients to be triaged and put processes in place to address long triage wait times. This would reduce the risk that patients are not being appropriately monitored or managed.

**6. We recommend that Saskatoon Regional Health Authority accurately measure and report the total wait time, starting from the patients' arrival into its emergency departments until the time they see a physician.**

- 7. We recommend that Saskatoon Regional Health Authority put processes in place to ensure emergency department patients see physicians within established time goals.**

## **5.3 Performance Adequately Monitored but Accuracy Not Reviewed**

### **5.3.1 Accuracy of Triage Level Not Regularly Assessed**

Post-triage audits should be performed to assess the accuracy and adequacy of the triage process. An internal audit of triage could identify individual and systematic problems in the process. This could in turn be used to educate triage nursing staff and improve the process.

As described in **Section 5.2.1**, the process of triaging emergency patients is done using the SCM software that automatically assigns CTAS levels to patients based on their primary complaint and objective information such as vital signs. Additionally, triage nurses are unable to prioritize patients below the SCM-assigned level, but they can assign patients a higher level if they feel the patient presents signs of higher need. This system limits the risk that patients may be “under-triaged” and assigned CTAS levels lower than their conditions would require.

Management stated that for this reason, Saskatoon RHA does not conduct reviews of triage documentation to ensure that triage is being done accurately. Its current automated triaging system does reduce the risk that emergency patients are “under-triaged.”

However, 47% of the SCM CTAS levels in the files we examined were being over-ridden by the triage nurse. Saskatoon RHA should ensure that its system is working effectively by routinely reviewing triage notes and charts to determine the accuracy of CTAS scoring in emergency departments, and reviewing the triage nurses’ rationale for over-riding the system so frequently. Such an assessment could provide useful information for future improvement and further training.

- 8. We recommend that Saskatoon Regional Health Authority periodically review the triage process to determine whether emergency department patients are appropriately categorized.**

### **5.3.2 Information Collected and Analyzed**

Saskatoon RHA uses SCM to collect a large volume of emergency department data. This data includes patient primary complaints and objective information, CTAS level, the time the patient is triaged, the time the patient sees the physician, how long the patient



waited to get an available acute care bed if required, and if the triaged patient left before seeing a physician.

Saskatoon RHA has a health information analyst who collates the data for performance measures, trend analysis, total or average volumes, etc., and provides this information as requested to management. Management advised that some measures are tracked continuously (e.g., percentage of CTAS II patients seen within the optimum time), while some are specific measures relating to LEAN initiatives and may only be tracked as needed.

Every morning, the management team of Saskatoon's emergency departments meet to discuss the previous day's performance. Daily performance measures, as described in **Section 5.1.4**, are discussed. If issues that negatively affect performance are identified, additional meetings take place to find ways to address the issues.

As described in **Sections 5.1.2** and **5.1.4**, Saskatoon RHA is using LEAN to focus on addressing identified areas negatively affecting its emergency departments' processes. When such areas have been identified, management and staff prioritize the areas and begin quality improvement initiatives<sup>18</sup> in one of its emergency departments.

Saskatoon RHA routinely tracks the progress towards its LEAN initiatives. If the performance measures meet the targets set and are sustained, Saskatoon RHA implements the new process in its other emergency departments. However, if the targets were not reached and sustained, issues and actions required are identified and tested.

### 5.3.3 Complaints and Incidents Tracked and Addressed

Legislation requires any incident which causes harm (or has the potential for harm) to patients to be reported to the Ministry of Health.<sup>19</sup> Saskatoon RHA uses software called the Adverse Events Management System (AEMS) to track critical incidents in all of its departments, including emergency.

Further, all serious complaints from emergency patients are tracked manually. Department managers retain documentation of individual complaints, investigate and document the event in question, and document the resolution to the complaint. For the complaint files we examined, resolutions to complaints often included apologies to patients, and may have resulted in internal follow-up with staff and management to reduce the risk of similar events occurring in the future.

### 5.3.4 Performance Reported to Senior Management and the Public

Saskatoon RHA has adopted a real-time reporting strategy where key information on performance is reported to senior management on a daily basis. After a daily conference call between emergency department management, the directors brief the vice-president

<sup>18</sup> Known in LEAN methodology literature as a Rapid Process Improvement Workshop, or *Kaizen*. An initiative is when an organizational process is studied, inefficiencies identified, and solutions implemented.

<sup>19</sup> *The Critical Incident Regulations*.

in charge of emergency care on the previous day's performance measures, issues, and any actions taken to address such issues.

Saskatoon RHA annually reports publicly on key measures and has reduced emergency patient waits times since 2011-12. In its 2011-12 annual report, it reported that it was meeting its standard for CTAS II patients being seen by a physician within 15 minutes 52% of the time.<sup>20</sup> In 2012-13, it reported that it had improved and that 63% of CTAS II patients were being seen by a physician within that time period. However, as described in **Section 5.2.4**, how Saskatoon RHA measures its time goals does not accurately capture the length of time patients actually wait.

In 2012-13, Saskatoon RHA began to report publicly on the average time it takes for emergency patients to be transferred to an acute care bed (i.e., 15,996 patients had to wait an average of 6 hours and 43 minutes in emergency after the physician decided to admit the patient to acute care).<sup>21</sup> Trends in this measure will help the Saskatoon RHA, legislators, and the public to assess Saskatoon RHA's performance on whether it is making progress in addressing delays in moving emergency patients into acute care beds as needed.

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<sup>20</sup> Saskatoon Regional Health Authority, *2011-12 Annual Report*, (2012).

<sup>21</sup> Ibid.



## Chapter 31

# Sun Country Regional Health Authority – Managing Medication

### 1.0 MAIN POINTS

Under *The Regional Health Services Act*, regional health authorities (RHAs) are responsible for the operation of hospitals and the services provided in those hospitals. Medications play a vital role in patient care and the operations of any hospital. If systems are not in place to effectively manage and administer medications in hospitals, patients could be adversely affected by medication errors. RHAs must have effective systems to manage these risks in order to provide safe, effective, and sustainable healthcare services to their patients.

We audited the effectiveness of Sun Country Regional Health Authority's (Sun Country) processes to manage and administer medications in its district hospitals. We concluded that Sun Country had effective processes except it needs to:

- › Follow its established policies to gain access to the pharmacy after regular hours and properly dispose of medication
- › Use its approved form to document patient medication history and weight
- › Analyze medication errors and the contributing factors, and use that analysis to develop action plans to address the issues

We make five recommendations to help Sun Country improve its processes for managing and administering medications in its district hospitals.

We encourage other regional health authorities to use the criteria in this chapter to assess their own processes for managing and administering medication.

### 2.0 INTRODUCTION

*The Regional Health Services Act* gives RHAs the authority and responsibility for the planning, organization, delivery and evaluation of health services within their respective regions. Under this mandate, RHAs are responsible for the operation of Saskatchewan's hospitals and the services provided in those hospitals.

Sun Country, with a population of 56,890,<sup>1</sup> is located in Saskatchewan's southeast corner, along the Manitoba and North Dakota borders. Sun Country has two district hospitals in its two largest communities. Weyburn General Hospital is owned and operated by Sun Country. St. Joseph's Hospital in Estevan is an affiliated facility<sup>2</sup> that

<sup>1</sup> Saskatchewan Ministry of Health, *Covered Population 2012*. <http://population.health.gov.sk.ca/rhalist.htm> (17 September 2013).

<sup>2</sup> Under *The Regional Health Services Act*, an affiliate is the operator of a healthcare facility (such as a long-term care home or hospital) who was operating before the creation of the regional health authorities. Affiliate facilities are not owned or operated by regional health authorities, but receive funding from them to provide health services.



provides hospital services on behalf of Sun Country through a contractual agreement. In total, 2,962 patients were admitted to the district hospitals in 2012-13.

Hospitals require the use of medications for pain management and the treatment of a wide range of illnesses. Also, medications play a vital role in patient care and the operations of any hospital. Some medications, such as opioids,<sup>3</sup> are kept in hospitals and are highly addictive, potentially dangerous drugs. These drugs are listed in Canada's *Controlled Drugs and Substances Act*.

Effectively managing medications in a hospital setting requires the efforts of different healthcare professionals. The preparation (e.g., counting and crushing), storage, and labeling of medications is done by pharmacy staff. After the medication has been stored, labeled, and prepared, it must be dispensed and then administered by licensed professional staff, who must ensure that the right patients receive the proper amounts of the correct medication at the appropriate time, as prescribed.

Detection of medication errors (e.g., when an incorrect medication, or the wrong dosage of the correct medication is given to a patient) is an important part of managing medication. A strong system of error detection allows for facilities and RHAs to identify where mistakes are commonly made so that they may address them. When mistakes include the actual or potential loss of life or function, they are considered critical incidents and, under *The Critical Incidents Regulations*, must be reported to the Ministry of Health.

Medication errors can have serious consequences. Even a seemingly harmless medication error presents a risk for a serious incident. If a physician prescribes Tylenol to a patient and the patient mistakenly receives aspirin, the medication error will, in many cases, not be serious. However, if the patient is severely allergic to aspirin, the result could be hives, coughing, or life-threatening anaphylactic shock.<sup>4</sup>

Research shows that medication errors and drug-related adverse events can have wide-ranging implications, including increased length of stays for patients, discomfort, disability, or death. These scenarios could present serious risks to the health and safety of patients, public confidence in the healthcare system, and the use of public money.

In 2009, Sun Country identified medication errors as an area for improvement, and implemented a medication reconciliation program that is designed to ensure that the medication information for individual patients is accurately and consistently recorded and communicated as the patients visit different healthcare facilities and providers. In its 2011-12 annual report, Sun Country reported that 90% of staff had been educated on medication reconciliation and that a program for monitoring compliance had been initiated.

If systems are not in place to effectively manage and administer medications in hospitals, patients could be adversely affected by medication errors. RHAs must have effective systems to manage these risks in order to provide safe, effective, and sustainable healthcare services to their patients.

<sup>3</sup> Opioids refers to drugs with morphine-like actions and properties. Examples include codeine, morphine, hydromorphone, oxycodone, and methadone.

<sup>4</sup> Anaphylactic shock is a severe and sometimes fatal allergic reaction to a foreign substance.



## 3.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION

The objective of this audit was to assess if Sun Country had effective processes to manage and administer medications in its district hospitals. We did not audit the individual decisions associated with the prescribing of medications to patients in hospitals. Our audit covered the period of September 1, 2012 to August 31, 2013.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. We examined policies, procedure manuals, minutes, and other relevant documents. We interviewed key managers and staff. We also observed medication management practices, tested a sample of medication profiles,<sup>5</sup> and verified medication inventory levels at the two district hospitals.

To evaluate Sun Country's processes, we used criteria based on selected references in **Section 5.0**. The criteria are also consistent with Accreditation Canada standards. Sun Country's management agreed with the criteria (see **Figure 1**).

**Figure 1 – Audit Criteria for Managing Medications**

- 1. Maintain an appropriate inventory of medications**
  - 1.1 Have a system for keeping appropriate amounts of medications
  - 1.2 Regularly track inventory of key medications
  - 1.3 Store medication in a secure, organized area
  - 1.4 Appropriately label and process medications
  - 1.5 Properly dispose of expired or spoiled medications
- 2. Provide proper medications to patients**
  - 2.1 Maintain up-to-date knowledge of medications in use
  - 2.2 Maintain medication profiles for all patients
  - 2.3 Distribute medication to patients based on medication orders and standard procedures
- 3. Detect and track medication errors**
  - 3.1 Have a system for detecting medication errors
  - 3.2 Use a detection system to improve medication management performance
  - 3.3 Report medication errors to management and families
  - 3.4 Report medication-related critical incidents to the Ministry of Health

**We concluded that for the period of September 1, 2012 to August 31, 2013, Sun Country Regional Health Authority had effective processes to manage and administer medications in its district hospitals except it needs to:**

- › Follow its established policies to gain access to the pharmacy after regular hours and properly dispose of medication**
- › Use its approved form to document patient medication history and weight**
- › Analyze medication errors and the contributing factors, and use that analysis to develop action plans to address the issues**

<sup>5</sup> A medication profile is the documented information on a patient's medication history.



## 4.0 KEY FINDINGS AND RECOMMENDATIONS

In this section, we describe our key findings and recommendations related to the audit criteria in **Figure 1**.

### 4.1 Medication Appropriately Stored and Tracked but Some Improvements Needed

#### 4.1.1 Appropriate Amounts of Medications Kept

The Ministry of Health updates and maintains a drug formulary listing of therapeutically-effective, high-quality drugs. Through Health Shared Services Saskatchewan (3sHealth),<sup>6</sup> all regional health authorities have entered into an agreement with HealthPro<sup>7</sup> to facilitate the purchase of drugs on the drug formulary listing.

Sun Country has a pharmacy in each of its two district hospitals. Sun Country uses a computer system to track the medication kept in its hospital pharmacies. Every medication has a minimum and maximum inventory level attached to it based on the drug formulary. We observed that at the end of each day, the system automatically generates a purchase order for those drugs that have reached their minimum inventory levels. Pharmacy staff review the purchase orders prior to submitting the order to HealthPro. When the medication is received, pharmacy staff update the inventory levels in the computer system.

We found that when a physician prescribes a medication that is not available in the pharmacy, pharmacists work with other healthcare professionals (i.e., nurses and physicians) to find an acceptable alternative or obtains the necessary medication (See **Section 4.1.3**).

#### 4.1.2 Inventory Regularly Tracked

On a yearly basis, Sun Country counts all medication maintained in its hospital pharmacies, compares the counted amount to the inventory level in its computer systems, and documents and investigates any differences. We found inventory levels are correctly recorded in the hospital pharmacies' computer systems.

Narcotics are counted on a monthly basis in each hospital pharmacy. In addition, narcotics are tracked daily in other locations within the hospitals (e.g., intensive care, emergency rooms) by using a narcotics tracking sheet. Nurses record the types of narcotics, the dosage, and the time the narcotic was given to a patient. We observed that at shift change, two nurses at each location perform a physical count of the narcotics remaining and the narcotics tracking sheet is signed off.

<sup>6</sup> 3sHealth is a non-profit corporation established to provide province-wide shared services to support a high-performing, sustainable, patient and family centred health system in Saskatchewan. [www.health.gov.sk.ca/3shealth](http://www.health.gov.sk.ca/3shealth) (27 September 2013).

<sup>7</sup> HealthPro is a Canadian healthcare group purchasing organization.

### 4.1.3 Medication is Properly Stored but After Hours Access Needs Strengthening

During our audit, we found that each hospital pharmacy was secure and well organized. Only authorized personnel are granted access to the hospital pharmacies during regular pharmacy hours. The hospital pharmacies are well organized with each medication stored on shelves in clearly marked containers. Narcotics are kept in a separate secure area (e.g., a safe with a combination lock).

The hospital pharmacies are open Monday to Friday, eight hours each day. Policy states that if a medication is required after regular pharmacy hours, staff may use drugs that are kept in the locked emergency night cupboard located within each hospital. Staff may also contact senior pharmacy staff to obtain permission to enter the pharmacy to obtain the required medication. The policy requires that a form be completed that includes the date, time, pharmacist consulted, drug required, dosage, patient's name and location, and quantity taken. As an alternative, staff may contact the community pharmacy (e.g., Pharmasave) to obtain the drug they require. Upon the request from authorized staff, the community pharmacy will provide a supply of the required drug until the hospital pharmacy reopens.

We found that Sun Country does not consistently follow its policy for obtaining medication after regular pharmacy hours. One district hospital does not require staff to gain permission from senior pharmacy staff to enter the pharmacy after hours. Nursing staff at the one district hospital can enter the pharmacy when needed to obtain any medication. They complete a form noting the date, patient's name and location, the drug required, the dosage, and the quantity taken. The form used at this district hospital does not require staff to document the pharmacist consulted.

Lack of appropriate approval to enter the pharmacy after hours and the lack of follow up on verifying the completed form could result in improper tracking of medications and possible misappropriation.

- 1. We recommend that Sun Country Regional Health Authority monitor that staff consistently follow its policy of obtaining proper authorization and documenting the pharmacist consulted before entering the pharmacy after regular hours.**

### 4.1.4 Medications Labelled and Processed Appropriately

Sun Country orders medications in single-unit doses where possible to limit the amount of repackaging required by pharmacy staff. If medication only comes in large stock (i.e., bottles), staff in the pharmacy will repackage the medications in single-unit doses. Each medication is then clearly labelled and stored in individual containers. Medications with names that sound like another are not stored next to each other. We found that Sun Country also clearly labels high-alert medications (i.e., those medications that have a high level of risk for causing significant patient harm) with a pink sticker. This helps staff to be more aware and attentive to high-risk medications when processing orders and preparing and administering this medication.



Upon seeing a patient, physicians write up physician orders (i.e., prescriptions). These prescriptions are collected from the nursing units and taken to the pharmacy to be processed. We observed pharmacy staff enter the information from those prescriptions into the computer system. If there is a potential conflict between prescribed medications, the computer system will create an alert. If the alert is not considered a serious risk, pharmacy staff can override the system. However, if pharmacy staff consider it a serious risk, an intervention form is completed prior to preparing the medication for administration. This form outlines the issue, and provides a recommendation to resolve the issue. A physician reviews the intervention form and writes up a new prescription, where necessary. We found that intervention forms were utilized when required.

Once any alert is dealt with, the computer system will generate a label. We observed pharmacy staff filled the daily order based on the label (i.e., the correct number of doses). Another person from the pharmacy double-checked the order to ensure it was correct.

The medication for the day is then placed in a zip-lock type bag and the label is attached. Once the orders are processed, a medication administration record is produced from the computer system. It lists such information as the medication, dosage, and the time it should be administered. Pharmacy staff take the orders to the nursing units and provide any necessary explanations (e.g., how the medication is to be given).

#### **4.1.5 Medication Needs to be Disposed in Accordance with Policy**

Sun Country's computer system tracks drug expiry dates. On a monthly basis, the drug expiration report is printed off. Pharmacy staff compares the actual inventory stock against this list. Expired medication is sent back to the manufacturer for a refund or credit. If the medication cannot be returned, it is treated as biomedical waste and disposed of in biohazard containers.

When preparing medication to administer to a patient, some medication may be wasted. For example, a pill may be cut in half and the unused half is then wasted. Sun Country's policy states that expired or unused medications are to be disposed of in a biohazard container and medications are not to be flushed into the public sewage system. During our on-site visit, various staff indicated that wasted medication was disposed of by flushing it down the toilet or sink, put in the garbage, or put in a biohazard container. Lack of compliance with the policy for disposing of wasted medication increases the risk that people and the environment may be harmed.

- 2. We recommend that Sun Country Regional Health Authority train its staff to follow its policy to dispose of wasted medication properly and monitor compliance with the policy.**

## 4.2 Proper Medication Provided to Patients but Medication Profiles Need to be Consistently Documented

### 4.2.1 Up-to-Date Knowledge of Medications Maintained

Professionals, such as medical and pharmacy staff, who work with medications must retain knowledge of medication as part of their profession. Staff are encouraged to keep abreast of new medications. In each hospital we visited, Sun Country had provided staff with the tools necessary to maintain up-to-date knowledge of the medications being used. We observed medication reference books, iPads, and computer terminals that are accessible to all staff.

In addition, if a particular medication is used more frequently in the region, Sun Country will hold a training session for medical staff. For example, Sun Country anticipated that there would be increased uptake for a medication used for autoimmune conditions. Therefore, it held a training session in August 2013 that included an overview of the conditions the medication is used for, the side effects, and how to administer the drug.

### 4.2.2 Medication Profiles Maintained but Improvements Needed

When a patient first arrives at the hospital, staff collect the best possible medication history on an approved form. The form is generated from the Pharmaceutical Information Program (PIP), a province-wide pharmaceutical system that provides a centralized source of patient medication obtained in retail pharmacies. The form lists the patient's prescribed medications from PIP over the last four months. To gather information about over-the-counter medications, vitamins, and other health-related supplements, nursing staff ask the patient questions and fill out the details on the form.

We found that one district hospital printed this medical history form from PIP as a starting point to collect the best possible medication history. Once this form was printed, staff then updated the form for the dosage, how the medication was to be taken, the frequency, and any other information obtained from the patient. However, we found that the other district hospital did not use this approved form. Instead, staff looked at PIP online and rewrote the listing of medication on another separate form, which is not approved for use by Sun Country. Rewriting the medications increases the risk that information may be written down wrong or a medication could be missed. This could result in medication errors and potentially harm the patient.

3. **We recommend that Sun Country Regional Health Authority require all its hospitals to use the approved form generated from the province-wide pharmaceutical system to create accurate patient medication histories.**

As part of gathering the best possible medication history, nursing staff are responsible for recording the patient's weight. They must record the patient's actual weight or an



estimate. In 36% of the files we reviewed, we noted that the patient's weight was not recorded. A patient's weight plays an important role in determining the dose of medication for the patient. Without recording the patient's weight, there is a risk that an improper dose could be prescribed and administered to a patient, resulting in harm.

**4. We recommend that Sun Country Regional Health Authority consistently complete patient medication profiles by documenting patients' weights.**

Once the patient's best possible medication history has been gathered, the form noting each medication is reviewed by the physician. The physician indicates which medication can continue, be stopped, or changed. Once the review is completed and signed by the physician, it becomes the physician's order (i.e., prescription) and is sent to the pharmacy to be filled. See **Section 4.1.4** for the process used to fill physician orders.

### 4.2.3 Medication Distributed Appropriately

On a daily basis, every patient's medication administration record is printed from the pharmacy computer system and the required medication is prepared by pharmacy staff. The medication administration form lists the medication, how it is to be administered, the dose, and the time of day. We observed nursing staff use this form to administer the medication to each patient.

The nursing staff check the medication administration record before administering the medication. They prepare the medication as required (e.g., crushing pills or filling syringes) and then administer the medication to the patient. They observe the patient taking the medication before completing the medication administration record (i.e., they note on the medication administration record the dosage given, the time it was administered, and any other notes considered necessary).

## 4.3 Medication Errors Tracked and Detected but Need to Analyze Results

### 4.3.1 System in Place for Detecting Medication Errors

Sun Country uses self-reporting and other voluntary reporting mechanisms (i.e., patients and family) to identify medication errors. Staff are encouraged to self-report medication errors, including those that are near misses.<sup>8</sup> When a medication error is detected, staff are required to fill out a Patient Safety Report. This report details the type of medication error (e.g., incorrect dosage, administered to wrong person) and the contributing factors that led to the error (e.g., rate/dose calculation error, improper patient identification).

The Patient Safety Report also requires staff to classify the seriousness of the incident. For example, medication errors can be classified as Code 1, which means the incident did not result in harm or injury, up to a Code 4 which means there was a tragic incident

<sup>8</sup> A "near miss" is an adverse health event (i.e., a complication, unintended injury, or death) that did not reach the patient because of timely intervention or good fortune.

that could include unanticipated deaths. We found that Sun Country did not have any Code 4 incidents related to medication errors during our audit period. According to Sun Country's records, for the 2011 – 2013 fiscal years, there were no Code 4 incidents related to medication errors.

Sun Country also conducts monthly medication reconciliation audits, performed by someone independent of medication administration. For the reconciliation audits, Sun Country randomly selects approximately 75 patient charts each month. Each chart is reviewed to ensure that the form used to collect the best possible medication history is on file, properly completed (e.g., the dose, how the drug is to be taken, and the frequency), and appropriately approved by physicians.

The results of the audits are tracked and reported to the Board on a quarterly basis. Our review of the reports to the Board indicated that the compliance<sup>9</sup> rates in the medication reconciliation audits fluctuated from quarter to quarter with the overall trend for compliance increasing (e.g., 69% in 2011-12 Quarter 2; 85% in 2013-14 Quarter 1).

### 4.3.2 Detection System Used but Further Analysis Needed

Once a medication error has been identified and documented on the Patient Safety Report, the information is entered into a database. This database allows Sun Country to track the types of errors and the contributing factors. Certain areas within the district hospitals summarize medication errors and their contributing factors on a monthly basis. However, Sun Country does not do this for the region as a whole. Sun Country should use the database information to analyze trends for the region and develop action plans to address the errors.

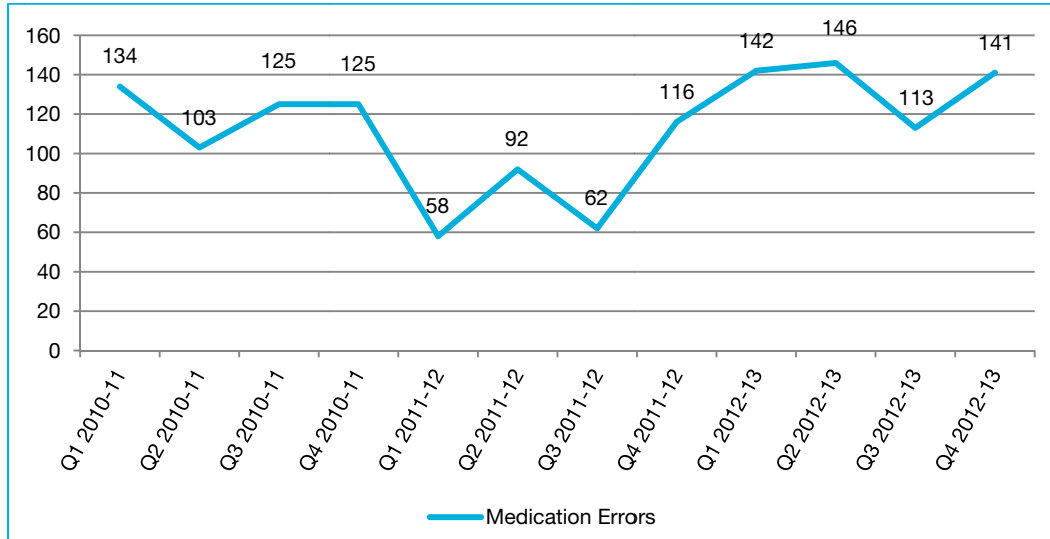
On a bi-monthly basis, Sun Country distributes the quality improvement report to staff. The report includes the total number of medication errors for those two months, but provides no further breakdown. The reports include a section on lessons learned. For example, the May/June 2013 report noted that two patient identifiers (e.g., name and birthdate) needed to be used when administering medication to ensure medications are not given to the wrong patient.

The quarterly reports to the Board also include the total number of medication errors. **Figure 2** shows the total number of medication errors reported per quarter from 2010-11 to 2012-13.

<sup>9</sup> Compliance means the form with the patient's medication history was on file, properly completed, and appropriately approved.



**Figure 2—Number of Medication Errors Reported Per Quarter**



Source: Sun Country Regional Health Authority, *Patient Safety and Risk Management Dashboard*, (2013)

As **Figure 2** shows, the number of medication errors fluctuate from quarter to quarter. The Board reports do not provide reasons for the fluctuations, or a breakdown on the types of medication errors, the contributing factors, risks, or areas requiring action. Senior management needs to provide better analysis of the medication errors and trends. This would make the reports more useful and would help to outline emerging risks and actions to reduce medication errors.

**5. We recommend that senior management of Sun Country Regional Health Authority analyze the medication errors and the contributing factors, and use that analysis to develop action plans to address the reasons for serious and reoccurring errors.**

### 4.3.3 Medication Errors Reported to Management and Families

Each time a medication error occurs, the Patient Safety Report is supposed to be sent to management for review. The error is then to be discussed at staff huddles, the root causes identified, and recommendations made to prevent the error from occurring in the future.

Medication errors are to be reported to patients and/or families verbally. When completing the Patient Safety Report, staff are required to indicate that any such medication errors were discussed with the patients and/or families by noting who the family member was and the date the discussion took place. We found that documented errors were reported to patients and/or family members on a timely basis.



### 4.3.4 Critical Incidents Reported to the Ministry of Health

*The Regional Health Services Act* and Sun Country policies require staff to report critical incidents to the Ministry of Health. A critical incident is a serious adverse health event; a complication, unintended injury, or death caused by healthcare management rather than the patient's underlying disease process.<sup>10</sup>

In 2012-13, Sun Country reported no critical incidents (one in 2011-12; two in 2010-11)<sup>11</sup> to the Ministry of Health that related to medication errors.

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<sup>10</sup> Ministry of Health, *Saskatchewan Critical Incident Reporting Guideline, 2004*. [www.health.gov.sk.ca/critical-incident-guidelines](http://www.health.gov.sk.ca/critical-incident-guidelines) (25 September 2013).

<sup>11</sup> Critical incidents reported in the prior years did not occur in Sun Country's district hospitals.



## Chapter 32

# University of Regina – Procurement and Disposal Audits

### 1.0 MAIN POINTS

The University of Regina (University) has spent over \$40 million each year to acquire goods and services including capital asset purchases during the last few years. The University expects this amount to increase given its planned changes to the University's infrastructure over the next few years. Acquiring, and later disposing of, goods and services including capital assets is complex and has increased risk because the process involves many people across the University, trade agreements, and multiple external parties. To manage its risks, the University requires effective processes to ensure that goods and services are procured and assets are disposed of with due regard for obtaining the best value for the University while meeting its needs in a way that is fair and transparent.

We examined the effectiveness of the University's processes for the procurement of goods and services, and for the disposal of surplus assets (e.g., computers, equipment). The University fully participated in the development of the objectives and criteria for these audits. The results of these audits should assist the University with its ongoing review of its administrative policies and procedures.

We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the procurement of goods and services and for the disposal of surplus assets, except it needs to:

- Regularly review, update, approve, and enforce its procurement and disposal policies
- Require sufficient reporting to the Board of Governors about procurement and disposal activities
- Require, in policy, adequate approval and justification for single and sole source procurement decisions, including the mitigation of conflicts of interest and conflicts of commitment
- Retain documentation of its analysis and decisions for awarding tenders
- Coordinate departments that procure goods and services to efficiently manage procurement in accordance with University policies
- Improve its procurement and disposal contract requirements
- Ensure computer assets are properly decommissioned before disposal

In this chapter, we describe the key findings for our audits and make 18 recommendations to the University.



## 2.0 INTRODUCTION

The University was established pursuant to *The University of Regina Act (Act)* as a non-profit educational organization. It provides post-secondary education and research. For the year ending April 30, 2013, the University spent approximately \$18 million on operational supplies and expenses (2012 - \$18 million), about \$11 million on equipment, rental, maintenance, and renovations (2012 - \$13 million), and approximately \$15 million on capital asset purchases (2012 - \$16 million).<sup>1</sup>

The amount of surplus assets that the University disposes of each year varies significantly depending on the condition and age of assets. For the twelve-month period ended June 30, 2013, it disposed of about 940 items for total proceeds of about \$24,000.

We performed two audits of related processes at the University. We audited whether the University had effective processes for the procurement of goods and services (see **Sections 4.0** and **5.0**). We also audited whether the University had effective processes for the disposal of assets (see **Sections 6.0** and **7.0**).

## 3.0 BACKGROUND—PROCUREMENT AND DISPOSAL

Responsibilities for procurement of goods and services are distributed across the University through its use of purchasing cards (i.e., University credit cards) and the involvement of end users of goods and services in the procurement and disposal processes. The University supports 200 programs and more than 13,000 students through its 10 faculties and 25 academic departments,<sup>2</sup> and employs about 3,000 people.<sup>3</sup>

Staff throughout the University use purchasing cards to make frequent, low cost purchases. At June 30, 2013, University staff held 403 purchasing cards with monthly credit limits ranging from \$4,000 to \$40,000. For the twelve-month period ended June 30, 2013, about \$6.6 million of University purchases were made through purchasing cards.

The responsibility for procurement of goods and services is shared primarily between two departments of the University: Supply Management Services (SMS) and Facilities Management (FM). Both areas are the responsibility of the Vice-President (Administration).

- 】 SMS is responsible for the procurement of goods and services for the University with certain exceptions. These exceptions include utilities, investment services, personnel services (e.g., benefits, wages, and salary administration), library book acquisitions, bookstore retail activities, and contracts managed by FM.
- 】 SMS is responsible for the disposal of assets through a monthly public salvage posting process that allows individuals to bid and subsequently purchase assets for disposal.

<sup>1</sup> University of Regina, Audited Financial Statements for the Year Ended April 30, 2013.

<sup>2</sup> For the purposes of this report, we refer to faculties and departments collectively as departments.

<sup>3</sup> University of Regina, *Annual Report 2012-13*, p. 3.

- 】 FM is responsible for contracts for construction and for alteration and renovation of buildings and structures, including the planning and design phases of these projects.
- 】 SMS and FM are jointly responsible where there is a mix of fixed (permanent) structural requirements and non-fixed structural requirements (e.g., office furniture, research equipment). In such cases, FM is responsible for the fixed or permanent structural requirements, while SMS is responsible for the non-fixed structural requirements. SMS and FM are required to work collaboratively to provide the optimum solution for the end user.

Risks of inappropriate and unsupported purchases and disposals increase where many University departments and individuals are involved in purchasing and disposal processes. To manage its risks, the University requires effective processes to ensure that goods and services are procured and assets are disposed of with due regard for obtaining the best value for the University while meeting its needs in a way that is fair and transparent.

## 4.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION— PROCUREMENT

The objective of this audit was to assess whether the University of Regina had effective processes for the twelve-month period ended June 30, 2013 for the procurement of goods and services.

For the purposes of this audit, goods and services included items procured by SMS and FM, including items that were capital in nature (e.g., construction of new buildings) and excluding library book acquisitions, bookstore retail activity processes, utilities, investment services, and personnel services.<sup>4</sup>

We examined the University of Regina's policies and procedures that relate to the procurement of goods and services. We examined project files, tendered procurement files, single and sole source<sup>5</sup> procurement files, purchasing card statements, and expense accounts. We interviewed University staff with key responsibilities for procurement. We used knowledge obtained from our annual audit of the University's rules and procedures to safeguard its public resources and from our 2013 audit of processes to protect the University's interests as it fosters research and commercialization of research.<sup>6</sup>

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the University of Regina's processes, we used criteria based on our related work and reviews of literature including reports of other auditors. Management and our Office worked together to develop the criteria and agreed that the criteria were appropriate (see **Figure 1**).

<sup>4</sup> The original scope of this audit included University procurement processes related to the International Performance Assessment Centre for the Geographic Storage of Carbon Dioxide (IPAC-CO2) activities. We adjusted our scope to exclude these activities when our Office became aware of the RCMP investigation into this area. MNP LLP, in its September 2011 report, set out the results of its investigation into concerns regarding conflict of interest and contracts at the University in regard to IPAC-CO2. CBC publicly released this report in February 2013.

<sup>5</sup> Sole source is where there is only one possible vendor. Single source is the use of one of multiple possible vendors without tendering.

<sup>6</sup> Protecting the University of Regina's Research. 2013 Report – Volume 1, Chapter 15.



**Figure 1 – Audit Criteria for Procurement of Goods and Services**

To have effective processes for procurement of goods and services, the University of Regina should:

- 1. Set policies for procurement of goods and services**
  - 1.1 Develop and approve policies for procurement of goods and services
  - 1.2 Align policies with externally-imposed requirements (e.g., funding agencies)
  - 1.3 Update policies periodically
  - 1.4 Communicate policies for procurement
  - 1.5 Monitor and report on compliance with policies
- 2. Define the need for goods and services**
  - 2.1 Identify the goods or services needed in sufficient detail
  - 2.2 Define the specifications to encourage open competition
  - 2.3 Use specifications that support the University's policies
  - 2.4 Identify feasible sources of goods and services
- 3. Determine the procurement method**
  - 3.1 Evaluate alternative procurement methods
  - 3.2 Select method for procurement
  - 3.3 Establish process to modify existing contracts
- 4. If sole sourcing goods and services, justify decision (i.e., only one possible vendor)**
  - 4.1 Document justification for decision to sole source
  - 4.2 Approve decision to sole source
  - 4.3 Obtain written contractual agreements
- 5. If single sourcing goods and services, justify decision (i.e., use one of multiple possible vendors without tendering)**
  - 5.1 Document justification for decision to single source
  - 5.2 Approve decision to single source
  - 5.3 Obtain written contractual agreements
- 6. Obtain quotations if tendering goods and services**
  - 6.1 Obtain appropriate authorization to initiate proposals
  - 6.2 Establish criteria for evaluating tenders
  - 6.3 Communicate procurement process to potential vendors
- 7. Select vendors for tendered goods and services**
  - 7.1 Evaluate all proposals for goods and services in accordance with established criteria
  - 7.2 Document decision for vendor selection
  - 7.3 Obtain appropriate approval for vendor selection
  - 7.4 Inform bidders of decisions
  - 7.5 Obtain written contractual agreements
- 8. Manage Vendors**
  - 8.1 Validate vendors
  - 8.2 Pay vendors in accordance with written contracts
  - 8.3 Report on performance of vendors periodically
  - 8.4 Use vendor performance information for future decision making

**We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the procurement of goods and services except it needs to:**

- › Regularly review, update, approve, and enforce its policies related to the procurement of goods and services**
- › Require, in policy, adequate approval and justification for single and sole source procurement decisions, including the mitigation of conflicts of interest and conflicts of commitment**
- › Require sufficient reporting to the Board of Governors about procurement activities**
- › Retain documentation of its analysis and decisions for awarding tenders**
- › Improve its procurement contract requirements**

- › Coordinate departments that procure goods and services, including construction, to efficiently manage procurement in accordance with University policies

## 5.0 KEY FINDINGS AND RECOMMENDATIONS—PROCUREMENT

In this section, we set out the criteria (expectations) and our key findings along with related recommendations for procurement.

### 5.1 Set Policies for Procurement of Goods and Services

#### 5.1.1 Procurement Policies Require Board Approval

We expected the University's procurement policies to be appropriately approved.

The University has developed a policy framework (i.e., Policy Governance) that specifies the characteristics of policies and who is authorized to approve policies (e.g., Board of Governors, Executive). The Board of Governors policy framework outlines that policies of significant importance to the University as a whole and policies that address significant risks (e.g., financial, legal, reputational) must be approved by the Board of Governors. The policy framework requires policies to be updated at least every three to five years, and specifies that if a policy has not been reviewed or updated in five years, it is no longer in effect.

The University has numerous policies that pertain to the procurement of goods and services. These policies fall within the University's policy framework. The policies include topics such as purchasing, construction tendering, general tendering, purchasing card program, general travel, and travel cards. The policies document who approved the policy, the date approved, and the dates the policy was updated.

However, the Board of Governors did not approve any procurement policies, except the Construction Tendering Policy. Rather the Vice President (Administration) usually approved these policies. We found this approval inconsistent with the University's policy framework that requires policies of significant importance to the entire University to be approved by the Board of Governors. Non-compliance with procurement policies can present significant financial, legal, and reputational risks to the University.

1. **We recommend that the Board of Governors of the University of Regina approve the University's policies related to the procurement of goods and services.**



## 5.1.2 Policies are Aligned with Externally-Imposed Requirements

We expected the University to align its procurement policies with externally-imposed requirements for purchasing. Externally-imposed requirements vary, and are usually imposed by a funder (e.g., donor, government, research funding agency). Most research funding agencies require the University to follow its usual tendering and purchasing policies and procedures. The University has recently updated its policies to ensure that they align with externally-imposed requirements for purchasing.

## 5.1.3 Periodic Updates to Policies Needed

To keep policies relevant, we expected the University to require regular reviews of its policies and document the timing of updates.

As noted in **Section 5.1.1**, the policy framework requires policies to be updated at least every five years to remain valid. Policies note the dates they were updated.

We found that the procurement policies were not updated consistently with the policy framework, and the last update of some policies was more than five years ago. For example, the Construction Tendering and BMO Mastercard Corporation Travel Card policies were last updated about eleven and six years ago, respectively. Also, the Sign Authorization (Signing Authorization) Policy, which sets the approval levels for procurement was last updated about seven years ago. In addition, the procurement policies were not updated to reflect changes to purchasing requirements that the University has made in the last five years. For example, as described in **Section 5.5.1**, the Board of Governors changed some signing authority limits for authorizing capital projects, but these were not documented in the Signing Authorization Policy.

The University's procurement policies were not updated to document the impact of the New West Partnership Trade Agreement which the University decided to comply with effective July 1, 2012. This is an agreement between the Governments of British Columbia, Alberta, and Saskatchewan that requires goods and services over \$75,000 and construction projects over \$200,000 to be tendered within the three provinces.

Furthermore, the University's procurement policies also need to be updated to address documentation requirements surrounding entertainment expenses (e.g., meals) incurred by staff. The University requires a purchasing cardholder's direct supervisor to review the detailed receipts, and approve the purchasing card expenses. We found that while monthly purchasing card statements were approved by the cardholders' supervisors, about 20% of the monthly statements we examined were missing appropriate documentation to support at least one purchase on the statement (i.e., either no receipt was attached or the receipt attached did not provide details about what was purchased). The items that did not have detailed receipts were often for entertainment expenses and did not document the business purpose for the entertainment and those in attendance. The policy should require a detailed receipt and adequate documentation of the business purpose for the expense so the University can determine if the expense was appropriate.

If policies are not complete and up-to-date, staff may not know the current procurement requirements so that they can comply with these requirements.



- 2. We recommend that the Board of Governors of the University of Regina comply with its policy framework by regularly reviewing and updating the University's procurement policies.**

During the audit, we observed that the University was in the process of reviewing and updating its administrative policies, including its procurement policies.

### 5.1.4 Policies for Procurement Adequately Communicated

Policies are only effective if staff are aware of them and follow them. We expected the University to communicate its procurement policies to its staff.

The University's website includes all of the University's policies. SMS also uses additional processes to educate staff about the University's procurement processes. SMS posts procedural documents on its website to further explain how to purchase goods or services. Staff orientation sessions include information about the University's procurement processes. SMS emails staff to inform them about updates to procurement policies. SMS also provides presentations to University departments to inform staff about procurement processes.

However, as noted in **Section 5.1.3**, not all procurement policies were kept up to date. Staff need up-to-date policies so that they are aware of and understand current requirements.

Enforcement of policies also assists with communication by reinforcing the policies while working with the staff members to correct and prevent further non-compliance issues. We discuss the University's processes to monitor compliance with policies in **Section 5.1.5**.

### 5.1.5 Policies for Monitoring and Reporting Compliance Needed

We expected the University to document its processes for detecting and addressing non-compliance with policy, and then define reporting requirements to ensure Executive and the Board of Governors are informed of any significant issues. These policies would also set out key processes for identifying and reporting to Executive and the Board of Governors other significant performance issues in the procurement processes. Reporting should consider the various types of purchasing methods (e.g., purchasing cards, tendering, single or sole source).

The University had various controls to help identify non-compliance with policy. For example, Financial Services staff verify purchasing card expenses each month to determine compliance with the Purchasing Card Program Policy. Financial Services staff follow up deviations, if any, with the cardholder. The University may suspend or cancel purchasing cards if staff do not comply with policy. However, we found various examples of non-compliance with the University's policies, as described throughout this chapter, supporting that further controls are required. The University also has not communicated in policy the expectation for staff to bring forward compliance concerns



identified during their daily work to help the University identify non-compliance with policies.

The University has an Internal Audit Policy, and the Board of Governors approved the creation of an internal auditor position in May 2013. Implementation of its internal audit function will help improve the University's processes to identify and address non-compliance with policies.

We found that the University had not adequately documented the process for responding to identified non-compliance with procurement policies, including when to report these issues to Executive and the Board of Governors. Without a well-defined process, staff may not have adequate guidance regarding the steps they should take to address non-compliance in a timely manner, including informing the right individuals, stopping or reducing the non-compliant activity, and preventing future non-compliance.

For example, during the past ten years, the University has spent several million dollars pursuing the continued research and commercialization of certain intellectual property (i.e., patents). Initially, the University financed these activities (including patent agent and legal costs of maintaining patents) with research funding. Later, the University was not able to secure sufficient funding to pay for all the expenses incurred. University policy restricts research spending based on approved funding for the research. In mid-2010, University staff who monitor this research spending identified concerns with the lack of sufficient funding to finance these activities. The concern was escalated over the following months until it was reported to Executive.

In early 2012, the University identified and allocated funds it managed that were donated by another partner for this type of research to cover the unfunded expenses. The University has obtained legal advice to ensure that its use of the donated funds for this purpose was compliant with the terms of the donation. Having well-defined reporting processes may have helped the University address these concerns earlier. The University's Executive and Board of Governors need regular reports to help them identify and address non-compliance with procurement policies in a timely way.

**3. We recommend that the University of Regina implement policies and procedures to identify and address non-compliance with procurement policies.**

As required by policy, FM reports to the Board of Governors regularly regarding the status of fixed or permanent structural projects. These reports provide information about actual and projected expenses compared to budget, including reasons for any differences from the budget. There are no requirements in policy for SMS to report about goods or services to Executive or the Board of Governors. While we saw examples where issues were brought to the attention of the University's Executive and Board of Governors, regular reports were not received about items that were single or sole sourced, vendor performance, or compliance with procurement policies.

Regular reporting to Executive and the Board of Governors helps to ensure that informed decisions and effective oversight occur. Well-defined, regular reporting about

all key operational areas of the University is essential to proper stewardship and management of its financial, legal, and reputational risks.

4. We recommend that the Board of Governors of the University of Regina define its reporting needs regarding procurement activities including non-compliance with procurement policies.

## 5.2 Identification of Feasible Sources Required When Defining the Need for Goods and Services

### 5.2.1 Need for Goods and Services Identified

We expected that the University would define the need for goods or services required by the University in sufficient detail to encourage open competition.

The University identifies its capital needs in its annual budget approved by the Board of Governors. The budget identifies funding for sustaining capital (i.e., to maintain and adapt existing infrastructure) and major capital (i.e., new infrastructure). The University considers the overall space the University has, the University's needs, and the strategy set out in the Campus Master Plan when preparing its capital budget.<sup>7</sup> Changes in University programs and activities or identification of additional capital maintenance issues may result in the identification of additional capital projects after approval of the budget. These changes are approved as described in **Section 5.5.1**.

For approved capital projects, FM develops a project team that discusses the project scope, requirements, and costs. FM assigns a Project Manager to lead each project team in the design, tender, and completion of the project, including hiring any required consultants or contractors. FM allocates the funds based on the approved budget to individual projects and tracks expenditures of the projects. The Board of Governors receives regular updates about the funds FM manages, with additional detail about projects over \$500,000.

For SMS, the request for the purchase of non-capital goods or services (i.e., non-fixed structural requirements) starts with staff in a department identifying the requirements for goods and services they need. The University's processes require staff to contact SMS about their purchasing needs for goods or services more than \$3,500. SMS provides advice about cost efficiencies, alternatives, policies, and helps determine the best process to purchase the goods or services.

In addition, some University staff are eligible for expense accounts that can be used for expenditures related to teaching, research, professional activities, and general University activities (e.g., professional fees, travel, computers). Financial Services administers these expense accounts (called Accountable Professional Expense Accounts) in accordance with collective bargaining agreements and University policies. According to University policy, staff pay for these purchases personally and then submit a claim to the

<sup>7</sup> The Campus Master Plan is a strategic review of the University's buildings and natural environment and a long-term vision of the University campus. Source: University of Regina 2011 Campus Master Plan.



University for reimbursement, or pay for the expense on their University purchasing card.

We found that for nearly 10% of the transactions tested, the University paid vendors directly for invoices that related to expense accounts. As described above, the University's policy does not allow the direct payment of invoices that are coded to staff expense accounts. We found that nearly all of the examined invoices paid directly were not appropriately approved by the staff's supervisors (e.g., we found some staff approved their own or their supervisors' expenses). As discussed in **Section 5.1.5**, the University needs to implement processes to enforce compliance with policies.

### 5.2.2 Specifications to Encourage Open Competition Defined

We expected the University to have processes to define the specifications for needed goods or services to encourage open competition. As described in **Section 5.2.1**, FM and SMS have processes to collaborate with University staff to define specifications for the University's procurement needs. In the tendered items we examined, we found that the criteria used in each tender or quote provided sufficient information to allow vendors to bid or provide quotes for the tenders. The specifications for the tenders that we examined were sufficiently detailed to include all important requirements (e.g., warranty, delivery, maintenance).

### 5.2.3 Specifications Used that Support the University's Policies

We expected the University to establish processes for setting specifications for goods and services that would support the University's policies. The University uses templates for its requests for proposals, quotes, and tenders. In the items we examined, the specifications used complied with the University's procurement policies.

### 5.2.4 Insufficient Identification of Feasible Sources of Goods and Services

We expected that the University would identify feasible sources of goods and services to meet its identified needs in a way that is fair and transparent.

In **Section 5.4.1**, we describe concerns with single or sole source contracts. If the University does not adequately assess the need to single or sole source a good or service, it may not identify all feasible sources for the good or service, which may result in higher prices or unfair procurement processes.

When SMS uses a tender process to identify feasible sources of the goods or services, it requires vendors to be pre-qualified. The pre-qualification process allows SMS to assess if the vendor will have the capacity to provide goods or services the University may need, and whether the vendor fits with the University's core values. SMS identifies pre-qualified vendors who may be able to supply the needed goods or services based on its knowledge of the industry or through researching vendors, and sends tenders directly to them.

The University's Construction Tendering Policy sets out the process for FM to determine the potential vendors for a tender (e.g., through national or local construction association offices). If the project is greater than \$100,000, FM publicly tenders the contract. As part of the tender, FM will typically hold an information meeting with interested vendors to further discuss the project. Vendors must be in attendance at this meeting (in person or via teleconference) in order to bid on the project. This meeting allows vendors to ask for clarification, while ensuring that all vendors receive the same information. For smaller projects (i.e., less than \$100,000), FM selects vendors to be pre-qualified contractors using requests for quotes through the Regina Construction Association. FM then obtains quotes for any smaller projects from its pre-qualified contractors.

In the tendered items we examined, tenders were communicated to potential vendors following the University's processes and multiple vendors had bid on each tender, which supports that SMS and FM had identified feasible sources of goods and services.

The University allows staff to make small dollar purchases of goods and services using purchasing cards. We expected the University to establish authorization controls around the use of its purchasing cards. The purchases that staff are allowed to make using their purchasing cards are outlined in the Purchasing Card Program Policy. The policy limits the maximum amount per transaction and per month that can be set for any purchasing card, except for rare authorized exceptions. An approval form documents purchasing card limits and is signed by the cardholder, the department head or dean, and a purchasing card administrator. The University uses the pre-set transaction and monthly limits to prevent staff from making large purchases that would not comply with the tendering policies. The approval forms are then stored in SMS. We found that 6% of the approval forms retained by SMS were not signed by either the department head or dean, or a purchasing card administrator. If the approval form is not signed, the limits for the purchasing card may not be appropriate.

**5. We recommend that the University of Regina follow its policy requiring appropriate approval for the issuance of all purchasing cards.**

Before staff are issued purchasing cards, they are required to take training on the related policies. Monthly, staff must reconcile their purchasing card statements to supporting receipts. Their supervisors are required to review the purchasing card receipts and approve the statements. We found that support for the expenses was usually attached and supervisors approved the monthly statements, except as described in **Section 5.1.3**.

The University's policy prohibits using purchasing cards for items such as personal purchases, split purchases,<sup>8</sup> hazardous materials, and contracted goods and services.<sup>9</sup> In our testing of purchasing cards, we found that 13% of the monthly statements contained at least one payment for contracted goods and services (e.g., bulk office supplies, website design), which may increase risk for the University. As recommended

<sup>8</sup>Splitting a single purchase into multiple transactions to circumvent the transaction limit.

<sup>9</sup>The University prepares a contract with a vendor when it is purchasing a good or service over a period of time, or where the purchase may pose a liability risk to the University.



in **Section 5.1.5**, the University needs processes to enforce compliance with its procurement policies.

We also found that staff in one administrative unit used purchasing cards to pay for legal services several times. While paying for legal or other professional services is not specifically prohibited by the Purchasing Card Program Policy, such services can be sensitive and significant. Prohibiting the payment of legal or other professional services using purchasing cards would allow University management to better control services obtained.

**6. We recommend that the University of Regina update its Purchasing Card Program Policy to prohibit the payment by purchasing card for legal or other professional services.**

## 5.3 Appropriate Procurement Method Needs to be Determined

### 5.3.1 Alternative Procurement Methods Evaluated

We expected that the University would have processes to evaluate alternative procurement methods for purchases of goods and services to help it determine the appropriate procurement method.

The University's policies allow the purchase of non-capital goods and services through various procurement methods. The University's policy sets the required procurement method based on the size of the purchase and the requirements of external agreements (see **Figure 2**). Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to purchases of goods and services greater than \$75,000, although this is not yet documented in policy.

**Figure 2—Purchase Method for Goods and Services Based on Size of Purchase**

Size of Purchase/ Value of Contract (\$)	Purchase Method Required
Less than \$3,500	Most purchases can be made with purchasing cards
\$3,500 but less than \$10,000	Minimum of two quotes
\$10,000 but less than \$50,000	Tender – with receipt of at least two formal bids
\$50,000 and above	Tender – with receipt of at least three formal bids
Greater than \$100,000	Tendering method must comply with requirements of the Agreement on Internal Trade*

Source: University of Regina Policy – Tendering (Competitive Bidding Process)

\* The Agreement on Internal Trade is an agreement among the provinces, territories, and the federal government that aims to reduce barriers to the movement of persons, goods, services, and investments within Canada, provides general rules which prevent governments from initiating new trade barriers, and requires the reduction of existing barriers. The University is not subject to the agreement, but has documented its decision to follow this agreement in its procurement policies.

In **Section 5.2.4**, we explain that if a capital project is greater than \$100,000, FM publicly tenders the contract. For projects less than \$100,000, FM may obtain quotes from its pre-qualified contractors. For construction contracts valued at more than

\$250,000, the University's policy also requires the tendering method to comply with the Agreement on Internal Trade. Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to construction contracts over \$200,000, although this is also not yet documented in policy.

We examined procurement card, tendered, single, and sole source transactions. All of the items that were tendered followed the tendering method required by policy. Improved evaluation of the procurement method is needed for procurement card and single and sole transactions as discussed in **Section 5.3.2**.

### 5.3.2 Inappropriate Procurement Method Used

We expected the University to follow its procurement policies when selecting methods to procure goods or services.

In **Section 5.4.1**, we describe concerns with single or sole source contracts. Without adequate justification and approval for decisions to single or sole source goods or services, the University cannot demonstrate that the appropriate procurement method was used.

As described in **Section 5.2.4**, we found that staff had made purchases using purchasing cards where this was not the appropriate method to acquire the good or service.

### 5.3.3 Policy to Modify Existing Contracts Needed

We expected the University to have a process to modify existing contracts to address changes in user requirements. For minor modifications, SMS changed the contract as required. SMS advised that for significant changes new contracts are created as a result of a tender process. FM used change orders when amendments were required to the terms and conditions of a FM project. Although the University has processes to modify existing contracts, these processes are not documented in policy. In **Section 5.1.3**, we describe that the University needs to review and update its procurement policies, which could address this documentation issue.

## 5.4 Proper Support Needed for Decisions to Single or Sole Source Purchases

### 5.4.1 Justification for Single or Sole Sourcing Needs to be Documented

We expected the University to only permit single or sole sourcing in circumstances where tendering was not feasible. When single or sole sourcing, the justification for this decision needs to be clearly documented and appropriately approved. This justification may be in policy for certain types of recurring expenses (e.g., utilities), while in other cases the justification may be unique to a specific contract and needs to be documented specifically.



The University allows, in specified circumstances, the untendered purchase of goods and services that would otherwise be tendered. This practice is called sole sourcing or single sourcing. The procurement policies identify the criteria that must be met in order to single or sole source a good or service. The University follows a common process for single or sole sourcing.

We estimate that the University used single or sole sourcing for about 20% of its purchases. We found that for about 28% of single or sole source items that we examined, the University contracted with companies or individuals without documenting reasonable justification for use of single or sole source contracts.

We also found that a company was single sourced to complete a low dollar contract a few years ago and then subsequently contracted for the next phases of the project, resulting in six single sourced contracts and two amendments for a total cost of approximately \$180,000. While management was able to explain its justification for using a single source for these contracts, this explanation was not adequately documented in the purchasing files. Without adequate justification and approval for decisions to single or sole source a good or service, the University cannot demonstrate that the purchases should not have been tendered.

In early 2013, SMS improved its single and sole source procurement processes by implementing the Competitive Bid Procedure Exception Request Form. This form must include appropriate justification for not tendering the purchase and is signed by the person responsible for that budget and approved by the Director of SMS before the purchase takes place. However, the form does not require the requestor's supervisor or other appropriate signing authority (e.g., Vice-President) to approve the decision to single or sole source before the form is provided to SMS to verify the need to single or sole source the purchase.

The form also does not require documentation of possible conflicts of interest between vendors and University staff, if any. We found examples where companies owned or related to University staff were contracted without tendering to conduct work for the University. There was no documentation declaring a conflict of interest with the University and inadequate documentation to justify these single or sole source decisions. Without adequate review of the decision by an individual who is independent and knowledgeable about the project, it is difficult to determine if a single or sole source purchase was necessary and if the University received the best value possible.

**7. We recommend that the University of Regina follow its procurement policies to tender or obtain quotes for procurement of goods and services where required.**



- 8. We recommend that the University of Regina require, as part of its procurement policies for single or sole sourcing the procurement of goods and services:**
- › **Adequate documentation to justify the decision to single or sole source**
  - › **An appropriate authority to approve the decision to single or sole source**
  - › **The identification and mitigation of conflicts of interest and conflicts of commitment**

We also noted that the \$180,000 single source project described earlier involved several smaller single source contracts with the same vendor. Converting the project into several stages with smaller contracts without justification provides the opportunity to circumvent the procurement process. Contracting a small portion of a project using a single source provides a vendor with an advantage when the remainder of the project is tendered. The implications for the whole project should be considered and documented when procuring the first stage to help ensure that the contracting process for all stages is fair and results in the best value for the University.

- 9. We recommend that the University of Regina make procurement decisions based on consideration of the entire project including the impact of using multiple contracts to manage the same vendor for the same project.**

In addition, SMS and FM each managed some of the contracts for this \$180,000 single source project, which led to increased risk in the management of the contracts because neither department had all of the details to manage the entire project. The project clearly fell within the mandate of one of these departments, so all of the contracts should have been managed by that department. The University needs to ensure its structure for procuring goods and services is appropriate and understood by all staff so that proper coordination occurs between SMS and FM. An effective structure will help ensure the optimum solution is provided and risks to the University are appropriately reduced.

- 10. We recommend that the University of Regina implement a process to coordinate the departments that procure goods and services, including construction, to efficiently manage procurement in accordance with the University's policies.**

## **5.4.2 Decisions to Single or Sole Source not Appropriately Approved**

As described in **Section 5.4.1**, we expected that the decision to single or sole source would be appropriately approved. However, as previously noted, the Competitive Bid



Procedure Exception Request Form does not require the approval of the requestor's supervisor. Without this review by an individual who is independent and knowledgeable about the project, it is difficult to determine if a single or sole source purchase was necessary and if the University received the best value.

### 5.4.3 Written Contractual Agreements Need Improvement

We expected that the University would document the contractual agreements with its vendors in writing. The contracts should reflect the identified needs of the University and outline the obligations of each party to the contract.

We reviewed a variety of written contracts between the University and its vendors. The University used different types of contracts depending on who it was contracting with, the type of services or goods provided, and the value of the contract. The level of detail in the contracts and the templates varied significantly. While many of the contracts we reviewed were sufficient, we found FM purchases for consulting services used a standard contract that did not include all of the expected terms and conditions. The level of documentation for this standard contract was minimal, omitting clauses that existed in other contracts that would add certainty and protection for the University (e.g., termination, privacy, confidentiality, severability).

**11. We recommend that the University of Regina establish sufficient contract documentation requirements for the procurement of goods and services.**

## 5.5 Proper Approvals Needed Before Obtaining Quotations for Tendering Goods and Services

### 5.5.1 Review and Documentation of Signing Authorities Needed

We expected the University to receive the appropriate authorization before initiating proposals for the procurement of goods or services.

In the items we tested, we found that proposals (e.g., tenders, purchase requisitions, purchase orders) were approved by appropriate staff in SMS or FM and the requesting department prior to obtaining quotations. However, as described below, the University needs to improve documentation of its authorization limits for approving contracts, invoices, and payments.

The University's Signing Authorization Policy (approved by the Vice-President [Administration]) documents the University's delegations of authority for the approval of contracts, payments, and other financial matters. The University based its requirements for approvals of capital projects (i.e., with fixed structural requirements) on the overall size of the project and the requirements of external agreements and University legislation. As required by law, capital projects over \$100,000 require approval of the Minister of Advanced Education and over \$500,000 also require Cabinet approval

through an Order in Council.<sup>10</sup> For capital contracts valued at more than \$250,000, the University's policy also requires the tendering method to comply with the Agreement on Internal Trade. Also, as described in **Section 5.1.3**, the New West Partnership Trade Agreement applies to construction contracts over \$200,000, although this is not yet documented in policy.

The policy delegates to the Associate Vice-President (Facilities Management) the authority to authorize any contract, regardless of dollar value, within the annually approved capital budget and in compliance with purchasing and tendering policies. Outside of this approved budget, the policy sets the approval levels for projects as shown in **Figure 3**.

**Figure 3—Required Capital Project Approvals**

Approval level	Position
Up to \$50,000	Associate Vice-President (Facilities Management)
Up to \$100,000	President
Over \$100,000	Board of Governors

Source: University of Regina – Sign Authorization Policy

In December 2010, the Board of Governors changed the approval limits to \$250,000 for the President and greater than \$250,000 for the Board of Governors, but the Policy was not formally updated to reflect this change.

Also, the policy:

- 】 Delegates the authority to sign most other purchase orders and contracts for procurement of goods and services to SMS. In practice, contracts prepared by SMS are generally signed by both SMS and the requesting department's authorized signer, as well as the vendor.
- 】 Describes signing authorities where a financial manager<sup>11</sup> is delegated the authority to spend the funds in a University financial account.<sup>12</sup> The policy does not specify who will approve the financial manager for each financial account.
- 】 Allows the financial manager to authorize and set approval limits for additional staff who can also approve payments for that financial account.
- 】 States that no dollar limit applies as long as the amount is within the signing authority's funds available and the purchase is in accordance with the procurement policies.

While spending is restricted to a budget, virtually unlimited authority in the financial system increases the risk that inappropriate payments may occur intentionally or by error before they are detected. A review of the signing authorities could reduce authorization limits to those required to complete assigned work and ensure an appropriate separation of duties.

<sup>10</sup> *The University of Regina Act*, S. 67 and 67.1.

<sup>11</sup> A financial manager is the official signing authority responsible for a University financial account (e.g., director of a department).

<sup>12</sup> A financial account is an account in the financial system, not a bank account.



The University uses its financial system to operationalize these signing authorities. The University assigned a list of authorized administrators who can set the access and signing authorities (i.e., system authority) for other University staff in their departments. The University's processes do not allow staff to approve their own system authority within the financial system.

We found that there are several administrators who can approve system authority for individuals they report to. The University should establish administrators so that appropriate staff are approving the system authority for each financial account, and to ensure staff are not approving their supervisors' system authorities.

We found some financial accounts did not have a financial manager assigned in the financial system and some contracts were approved by department heads who had not been assigned system authority. SMS advised that it does not use the financial system to verify signing authority, but relies upon its knowledge of the University's structure and the staff's title to assess authority.

The University needs to review, and then maintain, its documentation of signing authorities to ensure it is complete and accurate. SMS should then use the financial system as its definitive source for verifying appropriate approvals for purchases.

**12. We recommend that the Board of Governors of the University of Regina establish and document an appropriate signing authority policy for use when approving contracts, invoices, and payments to ensure the proper separation of duties.**

## 5.5.2 Criteria for Evaluating Tenders Established

We expected the University to establish criteria for evaluating tenders. The University receives bids on tenders in either electronic or paper form. The standard tendering time is dependent on the criteria and complexity of the tender. The Tendering Policy identifies tender submission selection criteria, which are also considered in determining the successful vendor for each tender. The University does not utilize standard evaluation criteria for tenders, but rather leverages the expertise of SMS consultants and FM project managers. These experts work with staff in the requesting department to determine the scoring criteria for each tender to obtain the best value. We found that the University developed criteria for each tender that it planned to use to evaluate the bids received.

## 5.5.3 Adequate Communication of Procurement Process to Potential Vendors

We expected the University to communicate its procurement process to potential vendors. The University communicates with vendors through the issuance of the tender documents. The University provides the same information to all potential bidders throughout the tendering process. For example, if one potential bidder asks a question about the tender, all potential bidders are provided with the vendor's question and the subsequent answer. As described in **Section 5.2.4**, the University may hold information

meetings with all potential vendors for construction projects, which allows vendors to ask questions to clarify requirements.

## 5.6 Support for Vendor Selection for Tendered Goods and Services Needed

### 5.6.1 Documented Evaluation of Proposals Needed

We expected the University to use its established criteria to evaluate bids for goods and services in order to ensure the fair and equitable treatment of potential vendors.

Except for the items noted below, we found that the files we tested contained appropriate documentation to support that the University used the criteria it established to evaluate the bids.

When reviewing the various tenders for several requests for proposals related to a FM project worth over \$70 million, we found that no documentation existed for the analysis and selection of the vendors (e.g., construction manager,<sup>13</sup> architect, structural engineer). FM staff advised us that evaluation criteria were used to determine the vendors for the project, but that these documents were not retained after awarding the tenders to the successful vendors. Therefore, we were unable to verify that evaluation criteria were used and the appropriate vendors were selected.

For several items in SMS, we found that support for tender decisions was not retained in the central purchasing files, although SMS staff was able to provide support when requested. Central maintenance of the tender documentation ensures information is readily available when needed, including during times of staff turnover.

**13. We recommend that the University of Regina document, in writing, its analysis and decisions for the awarding of all tenders and retain this documentation in accordance with its document retention policies.**

### 5.6.2 Documentation to Support Vendor Selection Needed

We expected that the University would document its support for vendor selection using its analysis of the bids received compared to its established criteria and retain this documentation in accordance with its document retention policies. We describe in **Section 5.6.1** that the University needs to document its analysis and decisions for the awarding of all tenders and retain the related documentation. We found that for several items, the University did not adequately retain the documentation to support vendor selection.

<sup>13</sup> The construction manager usually accounts for a significant portion of the project expenses because it also arranges for and manages the sub-contractors for the project (e.g., plumbers, electricians).



### 5.6.3 Approval for Vendor Selection Obtained

We expected the University to document the approval from the requesting department or FM project team for the vendor selected prior to communicating with the vendors. For the items tested, we found appropriate approval for the vendor selected was documented prior to communicating with vendors except for the one FM project described in **Section 5.6.1**, where we were unable to verify approval occurred before University staff informed the vendors because the University did not retain the documentation. However, contracts were signed as required by policy.

### 5.6.4 Bidders Informed of Decisions

We expected the University to inform all bidders on a tender whether they were the successful bidder within a reasonable timeframe, and to solicit feedback from unsuccessful bidders.

The University informed bidders about the vendor selected using letters, emails, and communicating in person. We found that the communication to the unsuccessful bidders informed them that they could contact the University if they wanted more information about the outcome of the tender. The communication with vendors regarding the tender results was generally timely. For the FM project described in **Section 5.6.1**, we could not verify the timeliness because the University did not document its communications.

### 5.6.5 Written Contractual Agreements Need Improvement

We expected the University to complete written contractual agreements for its purchases in a timely manner. Contracts must also be signed by the appropriate University staff and the other organization's representative, and be centrally managed.

The University prepares a contract with a vendor when the University is purchasing a good or service over a period of time, or where the purchase may pose a liability risk to the University. As such, SMS may not have a contract for some purchases (e.g., office furniture). Since FM projects always involve the purchase of services, FM projects include contracts for all vendors (e.g., architect, mechanical engineer).

We found that all of the contracts tested were completed in a timely manner and appropriately signed by the other organization and University staff. We also found that the contracts in our sample were centrally managed by the University department that created the contract (i.e., SMS or FM).

However, as described in **Section 5.4.3**, the University needs to establish contract documentation requirements for the procurement of goods and services to ensure certainty and protection for the University (e.g., termination, privacy, confidentiality, severability).

## **5.7 Reporting on Vendor Performance Needed**

### **5.7.1 Vendors Validated**

We expected the University to have a process to establish and approve vendors and keep that information in the University's financial system. SMS and FM each track vendors in databases that only their respective staff can access. These individuals can create a vendor in the database, which is appropriate as they assist in determining the suitable vendors in the tendering process. To pay a vendor, the vendor must be entered into the financial system by Financial Services staff.

### **5.7.2 Vendors Paid in Accordance with Contracts**

We expected that the University would ensure goods and services were received as required by contract before processing a payment to the vendor. The University often uses purchase orders to ensure proper approval occurs before purchases are made.

SMS prepares a purchase order based on a purchase requisition from a requesting department, and tracks it in the financial system. The requesting department documents when it receives the goods or services. If there is a contract for the purchase, SMS staff will compare the invoice to the contract to ensure it matches the contract terms prior to approving an invoice for payment. Financial Services receives the invoice and compares it to the purchase order. The University allows invoices to be paid when there are discrepancies of less than 5% between the invoice and the purchase order. Larger discrepancies are reviewed by University staff to determine the cause and reasonability of the discrepancy.

FM processes purchase orders related to construction projects and tracks the purchase orders in its computer system. When invoices are received, FM matches them to the purchase orders and contracts, and then forwards them to Financial Services for payment processing. FM ensures that goods or services have been received (e.g., architect's report on construction progress) and that construction holdbacks are correctly applied to invoices where required.

We examined whether invoices were paid in accordance with purchase orders and contracts. We found that the University had documented that goods or services were received prior to invoices being paid, and that invoices were paid in a timely manner. We also found that appropriate reviews were conducted to ensure the accuracy of payments, which included matching the invoices to the purchase orders and contracts.

### **5.7.3 Reports Needed on Vendor Performance**

We expected the University to define its reporting requirements for vendor performance. SMS and FM staff deal directly with a vendor if there are problems with the vendor's performance. The University stated that it gradually escalates any issue with a vendor until it is resolved, or the University decides to terminate the relationship. We did not find evidence of any significant disputes with vendors during the period of the audit.



The University's policies do not require SMS or FM to report to Executive or the Board of Governors about the performance of individual vendors. Requiring this reporting for vendors of significant projects would keep the University better informed about procurement issues that arise. In **Section 5.1.5**, we discuss the need for regular reporting to Executive and the Board of Governors on procurement performance.

#### 5.7.4 Vendor Performance Used for Future Decisions

We expected the University to use historical information about vendor performance to inform future decisions. As described in **Section 5.7.3**, the University has processes to manage issues with vendor performance and escalate issues if required. SMS and FM track these issues in databases to ensure vendor performance issues are considered when selecting vendors in the future. SMS and FM staff also consult with each other about past performance of vendors.

## 6.0 AUDIT OBJECTIVE, SCOPE, CRITERIA, AND CONCLUSION— DISPOSAL

The objective of this audit was to assess whether the University of Regina had effective processes for the twelve-month period ended June 30, 2013 for the disposal of surplus assets. For the purposes of this audit, surplus assets are assets that the University has decided that it no longer needs. These assets include computers, equipment, office furniture, etc.

We examined the University of Regina's related policies and procedures and disposal documents. We interviewed staff with key responsibilities for disposal of surplus assets. We used knowledge obtained in the past year from our annual audit of the University's rules and procedures to safeguard public resources.

To conduct this audit, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the University of Regina's processes, we used criteria based on our related work and reviews of literature including reports of other auditors. Management and our Office worked together to develop the criteria and agreed that the criteria were appropriate (see **Figure 4**).



**Figure 4—Audit Criteria for Disposal of Assets**

To have effective processes for disposal of assets, the University of Regina should:

- 1. Set policies for disposal of assets**
  - 1.1 Develop and approve policies for disposal of assets
  - 1.2 Align policies with externally-imposed requirements (e.g., of funding agencies)
  - 1.3 Update policies periodically
  - 1.4 Communicate policies for disposal
  - 1.5 Monitor and report on compliance with policies
- 2. Identify relevant assets prior to disposal**
  - 2.1 Establish criteria to identify assets for disposal
  - 2.2 Evaluate condition and remaining service potential of assets (e.g., quality, useful life, etc.)
  - 2.3 Approve a list of assets identified for disposal
- 3. Dispose of assets in accordance with policies**
  - 3.1 Prepare assets for disposal (i.e., decommissioning)
  - 3.2 Follow consistent disposal methods
  - 3.3 Record proceeds from disposal appropriately

**We concluded that for the twelve-month period ended June 30, 2013, the University of Regina had effective processes for the disposal of surplus assets, except it needs to:**

- 】 **Update and enforce its disposal policy and procedures**
- 】 **Require sufficient reporting to the Board of Governors regarding disposal activities**
- 】 **Ensure computer assets are properly decommissioned before disposal**
- 】 **Implement written agreements for the donation of surplus assets to charitable organizations**

## 7.0 KEY FINDINGS AND RECOMMENDATIONS—DISPOSAL

In this section, we set out the criteria (expectations) and our key findings along with related recommendations for disposal.

### 7.1 Set Disposal Policies and Procedures

#### 7.1.1 Disposal Policies and Procedures Need Improvement

We expected the University to have documented and approved processes to provide for the fair and transparent disposal of surplus assets. SMS is responsible for recording assets identified for disposal by University staff and arranging for disposal of those assets through a monthly salvage auction process. SMS posts items on the University's salvage website for public bid each month. SMS is also responsible for awarding the items to the highest bidders, collecting proceeds from the auction, and directing the successful bidder to pick up the asset. Proceeds from disposal items are redirected back to the originating department when the proceeds are over \$50, to Information



Services for Evergreen computers,<sup>14</sup> and to SMS for all other items. SMS uses its share of the proceeds to offset costs of the disposal process.

The University's Capital Assets Policy outlines the processes for the disposal of assets. This policy was approved by the Vice-President (Administration), the Audit and Risk Management Committee, and the Board of Governors.

The policy requires all staff to inform SMS about the assets that are deemed to be surplus or salvage. It does not outline any criteria for staff to consider when identifying assets for disposal (e.g., age, condition, service potential). It also does not require a department head to review and authorize the assets identified for disposal to ensure that assets have no further service potential to the department. The lack of disposal criteria or a clear authorization process may lead to items being disposed of before the department has received the maximum benefit from the assets.

In alignment with the policy, the disposal procedures are more detailed and identify requirements regarding decommissioning, salvage posting processes, receipt of funds, and pick-up of disposal assets. The disposal procedures do not indicate when they were last updated and approved. Documenting the date disposal procedures were approved and implemented will help ensure they are periodically updated and appropriately approved.

**14. We recommend that the University of Regina update its disposal policy and procedures to clearly define the criteria for identifying assets for disposal and the authorizations required.**

## 7.1.2 Policies Need to Ensure Compliance with Externally-Imposed Requirements

We expected that the University's disposal policies would ensure compliance with any conditions for the disposal of assets imposed by external parties. The University expects academic staff to seek research funding to finance their research. Generally research agreements specify that the items purchased with research funds belong to the University. The University is responsible for ensuring that the assets purchased are used to support research programs and comply with any requirements or restrictions for disposal stipulated by research funding. As discussed in **Section 7.1.1**, the University should properly authorize the disposal of assets so that items purchased with research funds are disposed of in accordance with the terms and conditions of the research funding.

## 7.1.3 Policies Need to Be Updated Regularly

We expected the University to follow its policy framework and update policies at least every five years. As described in **Section 7.1.1**, the University needs to update its

<sup>14</sup> The University's Evergreen Equipment Program (Evergreen) provides all University departments with new computers every five years to carry out their general responsibilities.

disposal policy and procedures to clearly define the criteria for identifying assets for disposal and the authorizations required.

### 7.1.4 Policies for Disposal Adequately Communicated

We expected the University to communicate its disposal policies to staff. As described in **Section 5.1.4**, all of the University's policies are posted on its website. The SMS website has additional documents explaining how to dispose of items. Disposal policies and procedures are also communicated to staff through emails, presentations, and staff orientation. These communications outline the role of SMS and include the disposal process.

### 7.1.5 Policies for Monitoring and Reporting Compliance Needed

We expected that the University to have processes to monitor and report on compliance with disposal policies, which would also include identification of performance issues regarding disposal processes. We found that the University had limited processes to monitor, follow up, or impose disciplinary action when disposal policies are not complied with. As described in **Section 5.1.5**, implementation of its internal audit function will help improve the University's processes to identify and address non-compliance with policies.

Although there was some ad hoc reporting, we found that there was no regular reporting to Executive and the Board of Governors on performance of the disposal processes or non-compliance with disposal policies. Regular reporting to Executive and the Board of Governors helps to ensure informed decisions, effective oversight, and proper management of the University's risks (e.g., financial, legal, reputational).

**15. We recommend that the University of Regina implement policies to identify and address non-compliance with disposal policies.**

**16. We recommend that the University of Regina define requirements for regular reporting to Executive and the Board of Governors regarding disposal of assets, including non-compliance with policies.**



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## **7.2 Improvements Needed for Identification of Relevant Assets Prior to Disposal**

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### **7.2.1 Criteria Needed for Identification of Assets for Disposal**

We expected the University's processes to include criteria for identification of assets for disposal. As described in **Section 7.1.1**, identification of assets for disposal is conducted by University staff. With the exception of Evergreen computers, the policies and procedures do not outline any criteria for identification of assets for disposal. Criteria for disposing of Evergreen computers are discussed further in **Section 7.3.2**.

### **7.2.2 Condition and Remaining Service Potential of Assets Need to be Evaluated**

We expected the University to have processes to evaluate the condition and remaining service potential of surplus assets. The list of assets posted on the University's salvage website included asset descriptions provided by the departments disposing of the assets. These descriptions included details about each asset, such as a physical description, serial number, barcode number, condition, and whether someone could view the item. An inaccurate description of an asset could result in the bidders disputing auction results and/or items being left unclaimed. Each department is responsible for providing accurate information to SMS. In **Section 7.1.1**, we describe the need to define the criteria for identifying assets for disposal and the authorizations required. Without these processes, we cannot determine if the condition and remaining service potential of all assets was properly evaluated.

### **7.2.3 Approval Needed for Assets Prior to Disposal**

We expected the University to require approval for the disposal of assets. As described in **Section 7.1.1**, there is no formal approval by the department disposing of the assets. This lack of approval increases the risk that the University may inappropriately dispose of assets that have remaining value.

## **7.3 Assets Not Always Disposed of in Accordance with Policies**

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### **7.3.1 Assets for Disposal Need to be Properly Decommissioned**

We expected the University to have processes to prepare assets for disposal. Most non-computer equipment does not require specialized preparation for disposal (i.e., decommissioning). Some specialized research assets may have environmental considerations that are addressed in policies such as the Hazardous Materials Management Policy. We did not identify any issues related to preparing non-computer assets for disposal.

Computers may store confidential data or licensed software that must be properly removed before disposal of the computers (i.e., decommissioning processes include wiping the hard drives to permanently delete any data or University programs). While University staff are directed to save all work to network drives, there may be occasions when staff need or choose to save information to computer hard drives.

Information Services tracks and provides support for Evergreen computers, including assistance with disposal. At the end of their five-year service life, the computers may be retained by the department, offered to other departments, or sold, at which point Information Services decommissions the computer and is no longer required to provide support services.

In addition to the Evergreen computers, University staff may purchase computer assets with research or other available funding. Information Services is often not engaged by departments to provide support services for these computers, although policies exist that enable Information Services to provide support on a fee-for-service basis.

Information Services has a process for decommissioning computers, which includes using specialized software to permanently remove all University data and licensed software stored in the computer. Evergreen computers are returned to Information Services and the hard drives are wiped prior to the sale of the computers.

We found that all computer assets disposed of with the support of Information Services were decommissioned following its processes, while other computer assets were not properly decommissioned before disposal. If computers are not properly decommissioned, the individuals who purchase the computers may be able to gain unauthorized access to University data (e.g., sensitive research findings, financial information). Also, the University has a responsibility to ensure that software is removed from these computers so that it does not violate licensing agreements.

**17. We recommend that the University of Regina ensure that its computers are properly decommissioned before their disposal to prevent unauthorized access to University data.**

### 7.3.2 Consistent Disposal Methods Not Always Followed

We expected the University to consistently follow its processes for disposal. The University has a process for receiving, posting, and closing of public bids on the salvage website. If there are no bids for an item and there is no minimum bid required, the University donates the items to charitable organizations such as the Food Bank (e.g., printers) or the Salvation Army (e.g., furniture). The University tracks items that are donated through its monthly disposal spreadsheets; however, it does not confirm that the donations were actually received by the charitable organization. With the exception of the items described below, we found that the items tested were posted on the University's salvage website, were all awarded to the highest bidder, or donated where appropriate.

At the time of our audit, while the University was providing certain charitable organizations with salvage items, it did not have any written agreements with these



organizations. We noted that about seven years ago the University had entered into a verbal agreement with an individual purporting to represent a charitable organization, and provided this individual with preferential treatment by allowing circumvention of the public bidding process (e.g., providing items for free that others had bid on). In 2012, the University learned, through discussions with actual representatives of that charitable organization, that the individual was not a representative of the charitable organization. Once the misrepresentation was revealed, the University severed the relationship with the individual. This matter is currently being investigated by the Regina Police Service with the cooperation of the University.

The University faces a reputational risk by not entering into written agreements (e.g., memorandum of understanding) with reputable charitable organizations to whom it routinely donates items and by not following up with the organizations about donated items on a periodic basis. Written agreements would establish the clear expectations of each party and the process that will be used for making donations.

**18. We recommend that the University of Regina enter into written agreements with the charitable organizations to which it regularly donates assets and implement a process to confirm the donations are received.**

### 7.3.3 Proceeds from Disposals Recorded Appropriately

We expected that the University would have controls to ensure proceeds of disposals were properly deposited and recorded in the accounting records. The University requires the highest bidder to be awarded the disposal items unless an internal department requests the item or there is a minimum bid that is not met. A minimum bid may be placed on the asset by the department disposing of the asset or based on the residual book value remaining (i.e., asset has not reached the end of its service life so should have a higher value than typical salvage items).

SMS receives payments and provides receipts to individuals so they are able to pick up the items from University departments. We found that receipts were provided to the individuals appropriately and that the University had adequate processes to ensure that the proceeds from disposal items are taken to Financial Services, deposited, and accurately recorded.

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## **Audit Follow Ups**

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## Chapter 33

# Advanced Education – Risk Management Processes

### 1.0 MAIN POINTS

We assessed the Ministry of Advanced Education’s (Ministry) (formerly the Ministry of Advanced Education, Employment and Immigration) actions on three recommendations we made in 2011 to improve the Ministry’s agency-wide risk assessment processes. As of July 31, 2013, the Ministry has implemented these recommendations. The Ministry has assessed its options for the treatment of risks, consulted with stakeholders, and implemented a process to monitor risk management activities.

### 2.0 INTRODUCTION

The mandate of the Ministry is to increase participation in and completion of high quality advanced education for all students, especially First Nations and Métis people; retain educated and skilled workers in the province; and attract students from outside of the province and country by promoting Saskatchewan’s opportunities.<sup>1</sup>

In our *2011 Report – Volume 1*, Chapter 2, we concluded that the Ministry had effective agency-wide risk management processes except for its processes to monitor risks. We made three recommendations. This chapter reports the results of our follow-up of those recommendations. To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the Ministry’s progress towards meeting our recommendations, we used the relevant criteria from the original audit. Management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the Ministry’s actions up to July 31, 2013, and the status of the recommendations including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that the Ministry has implemented all three recommendations.

#### 3.1 Options for Treating Priority Risks Assessed

We recommended that the Ministry of Advanced Education document its assessment of the cost and suitability of options for treating its priority risks. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

<sup>1</sup> Ministry of Advanced Education, *12-13 Annual Report*, p. 3.



The Ministry developed and implemented a risk registry which has identified its top 15 risks. Further, the Ministry has developed and implemented a three-year schedule with a work plan that is used to address the risks identified in the risk registry and considers the costs and suitability of options for treating the top risks. Additionally, the Ministry has identified risk owners (those who are responsible for the risk) and risk supervisors (those who will supervise the work done by the risk owner).

## 3.2 Stakeholders Consulted

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We recommended that the Ministry of Advanced Education consult with relevant stakeholders about options for reducing significant risks. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

The Ministry has identified key stakeholders and met with them to discuss core business practices, such as budgets, governance and operations. Discussions with stakeholders are driven by the Ministry’s risk registry and risk mitigation strategies.

## 3.3 Risk Management Activities Monitored

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We recommended that the Ministry of Advanced Education regularly monitor and report to senior management the results of their risk management activities. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

The Ministry’s executive audit committee meets regularly. Part of its mandate includes oversight of the Ministry’s agency-wide risk management program. This committee, at least quarterly, discusses emerging risks and receives updates on the progress of the current risk mitigation strategies. Further, the committee considers if the severity of the risks are changing. The committee uses this information to assess the impact on the risk registry, identify any changes in the ranking of the risks, and monitor emerging risks.

## Chapter 34

# Saskatchewan Institute of Applied Science and Technology – Human Resources Capacity

### 1.0 MAIN POINTS

In our *2006 Report – Volume 1*, we reported on the Saskatchewan Institute of Applied Science and Technology's (SIAST) human resource processes to build its human capacity for current and future needs and made four recommendations. We reported our first follow-up of this audit in 2010 and found that SIAST had implemented three recommendations. This chapter reports the results of our second follow-up of actions taken by SIAST on the one outstanding recommendation.

As of July 31, 2013, SIAST has implemented this recommendation. SIAST's Board works with management to identify the content and frequency of reports necessary to monitor human resource risks and evaluate progress toward its human capacity objectives.

### 2.0 INTRODUCTION

SIAST is Saskatchewan's primary public institution for the development and delivery of post-secondary technical education and skills training. Its mandate includes sharing knowledge, and providing skills training and engaging in applied research to meet the needs of students, employers, and communities.<sup>1</sup>

Our *2006 Report – Volume 1*, Chapter 3 concluded that SIAST had effective human resource processes to build human capacity except for its processes to:

- › Analyze and communicate workforce gaps and barriers
- › Evaluate progress towards current and future human capacity needs

We made four recommendations.

In 2010, we examined SIAST's actions on our recommendations from the audit. Our *2010 Report – Volume 1*, Chapter 2 reported that SIAST had completed action on three of the recommendations. Further action was required on one recommendation. In 2013, we examined SIAST's actions on the outstanding recommendation.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate SIAST's progress towards meeting the recommendation, we used the relevant criteria from the original audit. SIAST's management agreed with the criteria in the original audit.

<sup>1</sup> SIAST's 2012-13 Annual Report, p. 1.



## 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation, SIAST's actions up to July 31, 2013, and the status of the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that SIAST has implemented our recommendation.

### 3.1 Implemented Human Resource Capacity Monitoring

We recommended that Saskatchewan Institute of Applied Science and Technology's Board work with management to identify the content and frequency of reports necessary to monitor human resources risks and evaluate progress toward its human capacity objectives. (2006 Report – Volume 1; Public Accounts Committee agreement October 4, 2006)

**Status** – Implemented

In our 2010 follow-up, we found that SIAST had partially met this recommendation as it had identified the general content of reports but not how often the Board expected to receive reports monitoring human resources risks and evaluating progress.

In November 2011, SIAST introduced a Board-approved annual balanced scorecard<sup>2</sup> that defines performance measures for its strategic goals. The balanced scorecard, under the People, Leadership and Growth perspective, incorporates four human resource targets.

In November 2012, SIAST conducted an employee engagement survey. To obtain current employee feedback and develop strategies to address priority areas of concern in a timely manner, SIAST plans to administer this survey annually. This survey supplies data for a number of human-resources-related measures on the Balance Scorecard and has resulted in SIAST forming three corporate working groups to address priority areas, including performance management and learning and development. The results of the survey are reported to the Board during its annual review of the risk register. The Balanced Scorecard results are reported to the Board on an annual basis.

<sup>2</sup> Balanced scorecard is a strategic planning and management system that is used to align business activities to the vision and strategy of the organization and monitor organizational performance against strategic goals. Source: The balanced scorecard Institute. [www.balancedscorecard.org/bscresources/aboutthebalancedscorecard/tabid/55/default.aspx](http://www.balancedscorecard.org/bscresources/aboutthebalancedscorecard/tabid/55/default.aspx) (17 October 2013).

## Chapter 35

# Saskatchewan Institute of Applied Science and Technology – Risk Management

### 1.0 MAIN POINTS

We audited the Saskatchewan Institute of Applied Science and Technology (SIAST) Board's risk management processes in 2008 and made two recommendations. We reported our first follow-up of this audit in 2010. This chapter is our second follow-up of the SIAST Board's actions on our two recommendations up to July 31, 2013. The SIAST Board has implemented both of these recommendations. SIAST has a risk management policy and has established risk tolerance guidelines. Further, SIAST's management has created a risk registry with assessments on the severity and likelihood of each risk, and linked its strategic risks to its balanced scorecard<sup>1</sup> which is reported to the Board annually.

### 2.0 INTRODUCTION

SIAST is Saskatchewan's primary public institution for the development and delivery of post-secondary technical education and skills training. Its mandate includes sharing knowledge, providing skills training, and engaging in applied research, to meet the needs of students, employers, and communities.<sup>2</sup>

In our *2008 Report – Volume 3*, Chapter 2, we concluded that the SIAST Board did not have effective processes for risk management as of June 30, 2008, and made two recommendations.

In 2010, we examined the SIAST Board's actions on our recommendations. At that time, we found that SIAST had made good progress towards meeting our recommendations. We reported that follow-up in our *2010 Report – Volume 2*, Chapter 2. In 2013, we examined the SIAST Board's actions on the remaining recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate SIAST's progress towards meeting our recommendations, we used the relevant criteria from the original audit. SIAST's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the SIAST Board's actions up to July 31, 2013, and the status of the recommendations including the date on which the Standing Committee on Public Accounts agreed to the recommendations. We found that SIAST implemented the outstanding recommendations.

<sup>1</sup> Balanced scorecard is a strategic planning and management system that is used to align business activities to the vision and strategy of the organization and monitor organizational performance against strategic goals. Source: The balanced scorecard Institute. [www.balancedscorecard.org/bcsresources/aboutthebalancedscorecard/tabid/55/default.aspx](http://www.balancedscorecard.org/bcsresources/aboutthebalancedscorecard/tabid/55/default.aspx) (17 October 2013).

<sup>2</sup> SIAST's *2012-13 Annual Report*, p.1.



### 3.1 Implemented Comprehensive Risk Management Policies and Procedures

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We recommended that the Saskatchewan Institute of Applied Science and Technology's Board use more comprehensive risk management policies and procedures that:

- › Define key terms and processes
- › Assign roles and responsibilities for risk management
- › Require risks be identified in relation to strategic objectives
- › Require analysis of risk likelihood and impact including timeframes
- › Set criteria to evaluate risk tolerance
- › Outline guidance to treat key risks

(2008 Report – Volume 3; Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented

SIAST had previously developed and approved a risk management policy. Additionally, in 2010 SIAST created a risk management tolerance document that set out how each risk in the risk registry should be scored. This risk score takes the likelihood and severity of the risk into account. SIAST has created a strategic risk registry that aligns with its risk management policy and risk tolerance guidelines. This risk registry outlines all of the organizational risks and determines which are significant based on their score. Furthermore, the registry lists “risk owners”<sup>3</sup> for each risk identified. All risk owners are members of senior management. SIAST's management completed guidance to managers on how to treat key risks.

### 3.2 Implemented Written Reports to Board on Risk Analysis and Outcomes

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We recommended that Saskatchewan Institute of Applied Science and Technology's Board require that the written risk management reports it receives include analysis of risk and outcomes of risk management. (2008 Report – Volume 3;

Public Accounts Committee agreement December 9, 2008)

**Status** – Implemented

As discussed previously, SIAST has created a risk tolerance document and strategic risk registry. Each risk on the risk registry has been assessed on an “inherent” level based on the likelihood and severity of the risk, and on a “residual” level based on the compensating controls that will reduce the risk. If the residual risk score is above a certain threshold, SIAST considers this a significant risk that requires attention. The written risk assessments include analysis of risks, identify the strategic goal and the intended results of actions for each risk. The strategic goals and related risks, are defined in SIAST's balanced scorecard, which is reported to the Board on an annual basis.

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<sup>3</sup> A risk owner is the person responsible for managing a particular risk.

## Chapter 36

### Central Services—Fleet Maintenance

#### 1.0 MAIN POINTS

The Ministry of Central Services (formerly Ministry of Government Services) maintains a fleet of approximately 4,500 vehicles. These vehicles are used by government ministries and other government agencies. In 2007, we assessed the Ministry of Central Services' (Ministry) processes to maintain its vehicle fleet. We concluded that it did not have adequate processes to maintain its vehicles in a safe condition and in an economical manner. We made three recommendations.

In this chapter, we report that the Ministry has made progress in addressing our recommendations but still has work to do. The Ministry has developed a new computer system to assist in ensuring its fleet meets safety standards and that its repair and maintenance records are reliable. However, it has not yet documented and approved its procedures for the use of its new computer system. Also, the reports to the Ministry's senior management do not sufficiently detail the level of compliance with the safety standards in *The Traffic Safety Act*.

#### 2.0 INTRODUCTION

In 2007, we assessed the Ministry's processes to maintain its vehicle fleet. Our *2008 Report – Volume 1*, Chapter 6 concluded that the Ministry did not have adequate processes at December 31, 2007 to maintain its vehicles in a safe condition and in an economical manner. We made three recommendations.

This is our second follow-up to assess the Ministry's progress in addressing our past recommendations. Our first follow-up was reported in our *2010 Report – Volume 2*, Chapter 10, where we found that the Ministry still had work to do to meet our recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

#### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the Ministry's actions up to August 31, 2013, and the status of the recommendations. We found that while the Ministry has made some progress, it still has work to do to meet our recommendations.





### 3.1 Processes to Ensure Vehicle Fleet Meets the Safety Standards of *The Traffic Safety Act*

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We recommended that the Ministry of Central Services (formerly Ministry of Government Services) establish processes to ensure its vehicle fleet meets the safety standards of *The Traffic Safety Act*. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Partially Implemented

In 2008, the Ministry implemented a requirement that all vehicles in its fleet must have semi-annual safety inspections to help the Ministry determine if its fleet meets the standards of *The Traffic Safety Act*.

In April 2012, the Ministry implemented a new computer system called FleetWave to manage its vehicle fleet. FleetWave will also help the Ministry track the required semi-annual inspections. All vehicles in the Ministry's fleet are entered into this system along with their inspection due dates. This system monitors when the inspections are due and sends out notices to those responsible for ensuring they are completed. Once the inspections are done, the information is entered into the system by Ministry employees. FleetWave then automatically determines the next semi-annual inspection date. Employees manually track and follow up the overdue inspections.

The Ministry has drafted procedures to track vehicle inspections; however, the procedures are not yet finalized and approved. Documented and approved policies and procedures will help ensure overdue inspections are appropriately followed up. Management expects to have the policies and procedures related to its FleetWave system completed and approved by December 31, 2013.

### 3.2 Reliable Maintenance and Repair Records

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We recommended that the Ministry of Central Services (formerly Ministry of Government Services) keep reliable maintenance and repair records for its vehicles. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Partially Implemented

As indicated in **Section 3.1**, the FleetWave system was implemented in April 2012. This system tracks the repairs and maintenance records related to the vehicles in the Ministry's fleet. The Ministry has drafted procedures for ensuring repairs are entered into the system; however, these procedures are not yet finalized and approved. The Ministry expects to finalize these policies and procedures in conjunction with those noted in **Section 3.1**.

### 3.3 Reports to Senior Management

We recommended that the senior management of the Ministry of Central Services (formerly Ministry of Government Services) receive reports to verify that vehicles are maintained in a safe condition and in an economical manner. (2008 Report – Volume 1; Public Accounts Committee agreement June 16, 2008)

**Status** – Not Implemented

Senior management currently receives reports on a monthly basis. However, these reports do not provide enough detail to alert them to vehicles that are not being maintained as required by *The Traffic Safety Act*. The reports show the number of vehicles that have not had a safety inspection in the last six months. However, they do not indicate the length of time that the inspections are overdue. This information would help management determine if the overdue inspections listed in the report are caused by a delay in entering information or that the inspections have not been completed and additional follow-up procedures are necessary.

Management indicated that the FleetWave system should help provide more informative reports. They also stated that the Ministry is currently working on developing policies and procedures to provide the information needed for management to follow up on outstanding inspections. They expect to finalize these policies and procedures by December 31, 2013.



## Chapter 37

# Justice and Information Technology Office—Protecting Saskatchewan Data

### 1.0 MAIN POINTS

In response to a request from the Standing Committee on Public Accounts, in our *2011 Report – Volume 2*, Chapter 20, we reported the results of our study on processes of the Information Technology Office (ITO) to protect Saskatchewan data managed by a third-party contractor. We made two recommendations, one directed at ITO (now part of the Ministry of Central Services), the other at the Ministry of Justice. This chapter reports the results of our follow-up on actions taken by the ITO and the Ministry of Justice to September 30, 2013. ITO has implemented its recommendation. The Ministry of Justice has not yet implemented its recommendation.

### 2.0 INTRODUCTION

This chapter describes our follow up of management action on recommendations we made in 2011.

On June 6, 2011, the Standing Committee on Public Accounts (PAC) asked that:

*...when the Provincial Auditor next reports that they take a look at all of the necessary protections that ITO [Information Technology Office] has in place to ensure the citizens of Saskatchewan that their third-party contractor cannot share information with the parent company where the parent company is subject to the Patriot Act.<sup>1</sup>*

In our *2011 Report – Volume 2*, Chapter 20, we reported the results of our study on ITO's processes to protect Saskatchewan data. We noted that the protections put in place by ITO could not ensure that information would not be accessible through the operation of the *USA Patriot Act*.<sup>2</sup> We further noted that short of a decision to exclude a third-party contractor because of its corporate ownership (ITO uses a third-party contractor to deliver network and data centre services), ITO's contractual protections represented a reasonable attempt to manage risks related to the *USA Patriot Act*. We made two recommendations, one directed at ITO, the other at the then Ministry of Justice and Attorney General. Effective May 25, 2012, ITO became part of the Ministry of Central Services and the Ministry of Justice and Attorney General became the Ministry of Justice.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*.

<sup>1</sup> [http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/PAC/Minutes/PAC\\_35\\_Minute\\_June\\_6\\_2011.pdf](http://docs.legassembly.sk.ca/legdocs/Legislative%20Committees/PAC/Minutes/PAC_35_Minute_June_6_2011.pdf) (25 October 2013).

<sup>2</sup> The *USA Patriot Act* refers to United States Public Law 107-56, 115 STAT. 272, "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001".



## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the actions of the Ministry of Justice and of the Ministry of Central Services—Information Technology Office (ITO) to September 30, 2013, and the status of the recommendations. We found that the Ministry of Justice has not implemented its recommendation and ITO has implemented its recommendation.

### 3.1 Consultation Needed on Legislation

We recommended that the Ministry of Justice (formerly the Ministry of Justice and Attorney General) consider the benefits, in consultation with Saskatchewan’s Information and Privacy Commissioner, of changes to Saskatchewan’s general access and privacy legislation, which could serve to mitigate risks related to the *USA Patriot Act*. In particular, Saskatchewan’s Information and Privacy Commissioner has expressed concerns and made recommendations regarding the “duty to protect” personal information and data in prior years. (2011 Report – Volume 1; Public Accounts Committee agreement June 25, 2012)

**Status** – Not Implemented

The Ministry of Justice has advised that consideration of changes to access and privacy legislation and the views of Saskatchewan’s Information and Privacy Commissioner will be included in its upcoming general review of the legislation.

### 3.2 Risk Analysis Documented

We recommended that the Ministry of Central Services—Information Technology Office (formerly the Information Technology Office) document its analysis of risks related to the *USA Patriot Act*. (2011 Report – Volume 1; Public Accounts Committee agreement June 25, 2012)

**Status** – Implemented

ITO has documented its analysis of risks related to the *USA Patriot Act*. Its assessment of related risks, together with mitigation strategies, is recorded in its risk register.

## Chapter 38

# Information Technology Office—Measuring Benefits of IT Consolidation

### 1.0 MAIN POINTS

The Information Technology Office (ITO) of the Ministry of Central Services<sup>1</sup> (Central Services) provides information technology (IT) services to 26 government ministries and agencies (clients). ITO has an agreement with a third-party service provider to operate and maintain a network and data centre on its behalf.

In this chapter, we report that Central Services has addressed both of our recommendations outstanding from our 2009 audit of whether ITO improved IT services through consolidation and provided those services at a lower cost. Central Services has now set out targets for measuring performance of delivering services to its clients and reports monthly on whether those targets have been achieved. Central Services has surveyed its clients to determine levels of satisfaction and has developed some action plans to address the results of the surveys. It has developed processes to track its action plans to ensure that all items have been carried out to improve the services to its clients.

### 2.0 INTRODUCTION

Our *2009 Report – Volume 1*, Chapter 7, concluded that due to the absence of reliable performance measures and costs relating to IT services for periods before and after consolidation, we were not able to determine whether ITO had improved IT services through consolidation and provided those services at a lower cost. We made five recommendations.

This is our second follow-up to assess ITO's progress in addressing our recommendations. Our first follow-up was reported in our *2011 Report – Volume 1*, Chapter 7, where we found that ITO had met three of the five recommendations but still had work to do on the other two.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate Central Services' progress towards meeting our recommendations, we used the relevant criteria from the original audit. ITO agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, Central Services' actions up to August 31, 2013, and the status of the recommendations. We found that Central Services has addressed both recommendations.

<sup>1</sup> Effective May 25, 2012, the Information Technology Office became part of the Ministry of Central Services.



### 3.1 Ministry Satisfaction Measured

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We recommended that the Ministry of Central Services (formerly the Information Technology Office) work with ministries to prepare joint action plans to address issues identified in satisfaction surveys, as required by its service level agreements. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Implemented

To assess its performance, Central Services conducts satisfaction surveys with its clients. After each significant project, it requests its clients to provide feedback by completing a form with several questions. Through the use of this form, any required actions are documented. Central Services also conducts yearly surveys with its clients. The results of the surveys are summarized and presented to management. Central Services has developed processes to ensure that the planned actions are carried out to address the issues identified.

### 3.2 Service Delivery Measures and Targets Set

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We recommended that the Ministry of Central Services (formerly the Information Technology Office) seek mutual agreement with ministries on relevant service delivery measures and targets. (2009 Report – Volume 1; Public Accounts Committee agreement September 1, 2009)

**Status** – Implemented

The Memoranda of Understanding (MOUs) that Central Services signs with its clients set out targets related to the level of availability of service that it agrees to provide for all of its clients. The MOUs also set out specific measures for each of its clients based on the individual client's needs. It calls these metrics. The MOUs do not set targets for those client-specific metrics. However, the MOUs refer to a separate document that outlines the services that Central Services can provide to its clients (Service Catalog). This Service Catalog specifies target completion times for services, such as password resets, the addition of new users, and equipment installation. Central Services reports monthly to its clients on how Central Services did in achieving the targets specified in the Service Catalog and in the MOUs.

## Chapter 39

# Crown Investments Corporation of Saskatchewan— Reliable Performance Information

### 1.0 MAIN POINTS

This is a follow-up of recommendations from our *2010 Report – Volume 2*, Chapter 25, regarding Crown Investments Corporation of Saskatchewan's (CIC) processes for reliable balanced scorecard information about its internal operations. At July 31, 2013, CIC has implemented all of our previous recommendations.

### 2.0 INTRODUCTION

CIC is the holding company for eight Saskatchewan commercial Crown corporations (e.g., SaskEnergy, SaskPower) and five wholly-owned subsidiaries (e.g., Saskatchewan Immigrant Investor Fund Inc.).

As a holding company, CIC oversees the commercial Crown corporations and its wholly-owned subsidiaries in addition to operating as a Crown corporation itself. CIC develops and implements policy initiatives, directs investments, and provides dividends to the General Revenue Fund.

For over a decade, CIC has used a balanced scorecard<sup>1</sup> framework to present information about its strategic direction and its performance in achieving its objectives. This information is included in the quarterly reports to the Board and CIC's annual report.<sup>2</sup> This information helps management, CIC's board, and the public understand and assess CIC's performance.

In 2010, we assessed CIC's processes for reliable balanced scorecard information about its internal operations. Our *2010 Report – Volume 2*, Chapter 25 concluded that for the 10 months ending July 31, 2010, CIC had adequate processes for reliable balanced scorecard information about its internal operations except for:

- › Its processes to maintain current, detailed documentation of definitions and calculation methods
- › Its processes to confirm that documented calculation methods are appropriate and verify that they are used

This chapter describes our follow-up of management's actions on the recommendations we made in 2010 to address these matters.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate CIC's progress

<sup>1</sup> A balanced scorecard is a planning and monitoring tool used by management to communicate performance objectives, specific targets, and progress.

<sup>2</sup> CIC's Annual Report is available at [www.cicorp.sk.ca](http://www.cicorp.sk.ca) (19 August 2013).





towards meeting our recommendations, we used the relevant criteria from the original audit. CIC agreed with the criteria in the original audit.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, CIC's actions up to July 31, 2013, and the status of each recommendation. The Standing Committee on Crown and Central Agencies has not considered these recommendations as of August 31, 2013. We found that CIC has addressed the recommendations.

### 3.1 Maintaining a Foundation for Reliable Information

We recommended that Crown Investments Corporation of Saskatchewan maintain current, detailed documentation of definitions and calculation methods for its balanced scorecard measures. (2010 Report – Volume 2; Crown and Central Agencies Committee has not yet considered this recommendation)

**Status** – Implemented

In March 2013, CIC senior management approved the “Protocols and Methodology” guide. This guide maintains current, detailed documentation of definitions and calculation methods for balance scorecard measures.

This guide outlines guidelines and protocols for reporting balanced scorecard results at CIC. For each measure, the guide clearly outlines the purpose of the measure, data source, method to calculate the measure, definitions of terms used in the description or method of calculation, and who is responsible for its calculation, for its verification, and final executive signoff.

### 3.2 Collecting Accurate Information

We recommended that Crown Investments Corporation of Saskatchewan confirm that documented calculation methods are appropriate and verify that staff use them to produce balanced scorecard information. (2010 Report – Volume 2; Crown and Central Agencies Committee has not yet considered this recommendation)

**Status** – Implemented

As described above, the Protocols and Methodology guide assigns responsibility for the calculation of the result of each measure and requires verification by a second person. It assigns responsibility to individuals with knowledge of the area being measured. This helps ensure balanced scorecard information is reliable and accurate.

## Chapter 40

# Economy – Project Management Processes

### 1.0 MAIN POINTS

The Ministry of the Economy (formerly the Ministry of Energy and Resources) is in the process of replacing its old oil and gas information technology (IT) system to improve processes to better meet its needs and the needs of industry stakeholders. The Ministry of the Economy (Ministry) calls this initiative the Process Renewal and Infrastructure Management Enhancements program or PRIME project.

In this chapter, we report that the Ministry has met two of the three recommendations made in our *2011 Report – Volume 2*, Chapter 6, about the Ministry's project management processes to develop and implement its PRIME project. Also, the Ministry has made progress on the third recommendation. The Ministry uses project status reports to compare the actual costs-to-date to the percentage of completion of the project. The Ministry obtained an independent risk assessment and has developed action plans to address the identified risks. The Ministry has begun to develop measures and targets for the expected benefits of the PRIME project.

### 2.0 INTRODUCTION

The Ministry is responsible for coordinating, developing, and promoting policies and programs related to the development and management of non-renewable resources.<sup>1</sup> The Ministry is in the process of replacing its old oil and gas IT system and business process with one integrated IT system. The PRIME project is expected to renew its oil and gas processes and information systems to better meet the needs of industry stakeholders and the Ministry. Also, as part of the PRIME project, the Ministry will develop an integrated information system to support the Ministry's new business processes that will provide web-based self-service functionality to the industry.<sup>2</sup>

In 2011, we assessed whether the Ministry had adequate project management processes to develop and implement its PRIME project. Our *2011 Report – Volume 2*, Chapter 6, concluded that the Ministry had adequate project management processes for its PRIME project except that the Ministry:

- › Had not documented its plans for measuring and reporting on the expected benefits of the project
- › Did not report sufficient information to senior management on the project's costs incurred to date and its percentage of completion
- › Should prepare an analysis on the merits of conducting an independent risk assessment

We made three recommendations.

<sup>1</sup> *The Ministry of the Economy Regulations*, section 3.

<sup>2</sup> [www.economy.gov.sk.ca/PRIME](http://www.economy.gov.sk.ca/PRIME) (20 September 2013).



This chapter describes our follow up of management's actions on the recommendations we made in 2011. To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook – Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry agreed with the criteria in the original audit.

## 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the Ministry's actions up to August 31, 2013, and the status of the recommendations. We found that the Ministry has addressed two of the three recommendations.

### 3.1 Plans for Measuring and Reporting on the Expected Benefits of the New System Needs to be Documented

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) document its plans for measuring and reporting on the expected benefits of its new oil and gas system. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Partially Implemented

The Ministry has begun to develop measures and targets for the expected benefits for its PRIME project. For example, the Ministry expects that as a result of implementing the new system, there will be a reduction in the amount of time it will take to invoice oil and gas companies for royalties and taxes. The Ministry plans to track and report on the achievement of this reduction. The Ministry has not yet finalized the list of measures it plans to track and has not yet determined the targets for those measures.

### 3.2 Project Status Reports Compares Actual Costs to the Project's Percentage of Completion

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) include in its project status reports to senior management the actual development and maintenance costs incurred to date compared to the project's percentage of completion. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

The status reports that senior management now receives show the actual project costs incurred to date for comparison to the project's percentage of completion. The Executive Sponsors, who oversee the project, include some members of the Ministry's senior management. The Executive Sponsors meet on a monthly basis to discuss the status of the project. This discussion also includes reviewing the project costs incurred to date and the expected costs to complete the project.

### 3.3 Independent Risk Assessment Conducted

We recommended that the Ministry of the Economy (formerly the Ministry of Energy and Resources) prepare an analysis on the merits of conducting an independent risk assessment on the Process Renewal and Infrastructure Management Enhancements Project. (2011 Report – Volume 2; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented

Although the Ministry did not document its analysis of the merits of conducting an independent risk assessment, in early 2013 the Ministry did contract with an independent firm to perform a review of the PRIME project. The review resulted in several recommendations to improve the project management processes. The Ministry developed action plans to address the recommendations. The Ministry indicated that the Executive Sponsors plan to periodically review the progress of the action plans.



## Chapter 41

### Education – Child Care Facilities

#### 1.0 MAIN POINTS

This chapter reports the results of our second follow-up of the Ministry of Education's (Ministry) processes to regulate child care facilities.

As of March 31, 2013, the Ministry has implemented the last outstanding recommendation from our *2010 Report – Volume 1* on the Ministry's processes to regulate child care facilities. Ministry management receives quarterly reports on non-compliance with *The Child Care Regulations* (Regulations). Starting with its *2011-12 Annual Report*, the Ministry publicly reports trends in child care facilities' compliance with the Regulations.

#### 2.0 INTRODUCTION

The Ministry is responsible under *The Child Care Act* to set standards for child care, and to license and inspect child care facilities. The purpose of the Ministry's Early Learning and Child Care Program is to support families and communities by promoting high-quality care for children in a safe, nurturing environment. The Ministry licenses and monitors child care facilities and provides information about child care to the public. If the Ministry does not have adequate processes to regulate child care facilities, the safety and well-being of children receiving care may be at risk.

In 2010, we assessed whether the Ministry had adequate processes to regulate child care facilities. Our *2010 Report – Volume 1*, Chapter 5, concluded that, for the year ended February 28, 2010, the Ministry's processes to regulate child care facilities were adequate except for monitoring and reporting facilities' compliance with *The Child Care Regulations*. We made two recommendations.

In our *2012 Report – Volume 1*, Chapter 4, we reported in our first follow-up that the Ministry had met one recommendation but was not publicly reporting trends in child care facilities' compliance with the Regulations. This chapter sets out the results of our second follow-up on the status of this recommendation.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Ministry's management agreed with the criteria in the original audit.

#### 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation, the Ministry's actions up to March 31, 2013, and the status of the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that the Ministry has implemented our recommendation.



### 3.1 Quarterly and Annual Trend Reporting

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We recommended that the Ministry of Education report trends in child care facilities' compliance with *The Child Care Regulations* to senior management quarterly and to the public annually. (2010 Report – Volume 1; Public Accounts Committee agreement January 19, 2011)

**Status** – Implemented

As reported in our 2012 follow-up, the Ministry had established a system to track child care facilities' compliance with the Regulations. The Ministry uses this system to report to senior management. Quarterly reports include trend information about non-compliance with various sections of the Regulations.

The Ministry began publicly reporting trends in child care facilities' compliance with the Regulations in its *2011-12 Annual Report*.

## Chapter 42

# Prairie North Regional Health Authority—Hospital-Acquired Infections

### 1.0 MAIN POINTS

In 2011, we assessed Prairie North Regional Health Authority's (Prairie North) processes to protect patients from hospital-acquired infections. We made six recommendations to help Prairie North strengthen its processes.

Prairie North has implemented four of the six recommendations that we made in 2011 and needs to do more for the remaining two. Prairie North needs to formalize its processes to monitor and report consistently its key practices to control hospital-acquired infections. It also needs to provide senior management with a written analysis of emerging risks based on trends and causes of hospital-acquired infections.

### 2.0 INTRODUCTION

A hospital-acquired infection<sup>1</sup> is a risk that hospitals must control to manage health care for patients economically and safely. The Ministry of Health holds regional health authorities (RHAs) accountable for healthcare safety. It requires RHAs to use infection control plans and best practices recommended by Accreditation Canada.

Prairie North provides health services to the northwest part of Saskatchewan. *The Regional Health Services Act* makes the Board responsible for the quality of care and patient safety including infection control.

In our *2011 Report – Volume 2*, Chapter 14F, we concluded that Prairie North had effective processes to protect patients from hospital-acquired infections except for its accountability process, training plan, monitoring practices, and reporting information about sufficient hospital-acquired infections to help analyze and report emerging risks. We made six recommendations.

This chapter describes our follow up of management's actions on the recommendations we made in 2011.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate Prairie North's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Prairie North's management agreed with the criteria in the original audit.

<sup>1</sup> Infections acquired in a hospital occur most commonly due to the growth of bacteria in the patient's skin, respiratory tract, urinary tract, or blood stream.





## 3.0 STATUS OF RECOMMENDATIONS

In this section, we set out each recommendation and Prairie North's actions up to August 31, 2013, and the status of the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that Prairie North has fully implemented four of the recommendations but still has work to do for the remaining two.

### 3.1 Appropriate Chairperson Assigned

We recommended that Prairie North Regional Health Authority assign an appropriate chairperson for its Regional Infection Prevention and Control Committee (other than its Infection Control Coordinators). (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented

Prairie North has assigned an appropriate chairperson for its Regional Infection Prevention and Control Committee. During 2012, Prairie North revised the terms of reference for the Committee, and assigned the Vice-President of Primary Health Services as its chairperson.

### 3.2 Accountability and Responsibility Clarified

We recommended that the Prairie North Regional Health Authority clarify the accountability and responsibility of its Infection Control Coordinators. (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented

Prairie North has clarified the accountability and responsibility of its Infection Control Coordinators (Coordinators). In 2012, Prairie North revised the job descriptions for its Coordinators. The Coordinators are responsible for maintaining an infection prevention and control program, providing training, and preparing reports about hospital-acquired infections.

The job description states that the Coordinators work under the direction of a manager who reports to the Director of Population Health Services. As the manager position is currently vacant, the Coordinators report directly to the Director of Population Health Services.

### 3.3 Training Plan in Place

We recommended that Prairie North Regional Health Authority complete the development of a formal training plan for infection prevention and control that is suitable for its organization, services, and client population. (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented

Prairie North has a standard schedule for certain infection prevention and control-related training. Every month, the Coordinators provide a regional orientation for all new staff. The orientation includes an overview of infection prevention and control, and highlights the routine practices that staff should follow (e.g., hand hygiene, single use of gloves). The Coordinators also provide infection prevention and control training at unit orientations (e.g., nursing) on a monthly basis and to housekeeping staff on an annual basis.

In 2012, Prairie North conducted an education needs assessment by sending out a survey to all staff. The responses indicated that staff prefer ad hoc training sessions rather than mandatory training modules.

Upon request, the Coordinators provide infection prevention and control training to other locations within the region (e.g., Turtleford, Maidstone). They also provide training to other areas within the hospitals. For example, during 2013 the Coordinators provided training to staff in the areas of maintenance, diagnostic imaging, physiotherapy, emergency room, and operating room.

### 3.4 Formalized Process to Monitor and Report Consistently Needed

We recommended that Prairie North Regional Health Authority formalize its processes to monitor and report consistently its key practices to control hospital-acquired infections. (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Partially Implemented

Prairie North continues to conduct hand-hygiene audits (i.e., monitoring whether staff use correct hand washing methods) and report the results to senior management.

Prairie North is beginning to look at the key practices for cleaning equipment, including practices for infection prevention and control. In June 2013, the Regional Infection Prevention and Control Committee reviewed the draft policy and procedures for cleaning equipment and recommended it to Prairie North's Practitioner Advisory Committee for approval. Management indicated that monitoring of this area would be completed in the near future and the results would be provided to senior management.



### 3.5 Additional Hospital-Acquired Infections Monitored and Reported

We recommended that Prairie North Regional Health Authority monitor and report additional hospital-acquired infections after analyzing risks to patients and costs to the healthcare system. (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Implemented

In 2012, Prairie North hired a student with a Masters in Public Health to conduct a retrospective chart review<sup>2</sup> of the 2011 hospital admissions. This review indicated that Prairie North continued to do a good job of collecting data on three hospital-acquired bacterial infections (MRSA, VRE, and CD),<sup>3</sup> but could collect data on other healthcare-associated infections.

Beginning in 2013, Prairie North expanded its data collection of hospital-acquired infections to include ESBL (extended spectrum beta lactamase) organisms.<sup>4</sup> Prairie North also began tracking and reporting to senior management the number and types of infections (e.g., surgical site infections, pneumonia, catheter-associated urinary tract infections, etc.) caused by the four main hospital-acquired infections and providing a breakdown of this information by each one of its three main hospitals.

### 3.6 Written Analysis Needed

We recommended that Prairie North Regional Health Authority regularly provide to senior management a written analysis of emerging risks based on trends and causes of hospital-acquired infections. (2011 Report – Volume 2; Public Accounts Committee agreement August 28, 2012)

**Status** – Partially Implemented

On a quarterly basis, Prairie North reports to senior management the rate of new cases for the four main hospital-acquired infections noted in **Section 3.5**. Since our 2011 audit, Prairie North has improved its reports by including the number and types of infections caused by those hospital-acquired infections.

The reports also identify the trends (e.g., increasing, decreasing, or steady) in the number of cases compared to the previous quarter. However, the reports still do not provide a written analysis describing the risks, areas for action, and reasons for any emerging trends.

<sup>2</sup> Patient charts were reviewed to determine if the current data collection method was accurate and if other hospital-acquired infection data could be collected.

<sup>3</sup> MRSA (methicillin resistant staphylococcus aureus) is a bacteria resistant to common antibiotics that affects hearts, lungs, bones, joints, and /or the bloodstream; VRE (vancomycin resistant enterococcus) is a bacteria resistant to common antibiotics that causes severe urinary tract infections; CD (Clostridium difficile) is a bacterial spore that causes irritation in the bowel leading to severe cramps or diarrhea.

<sup>4</sup> ESBL (extended spectrum beta lactamase) is a bacteria that produces an enzyme that can break down commonly used antibiotics, such as penicillin. This makes infections with ESBL-producing bacteria more difficult to treat.

## Chapter 43

# Saskatoon Regional Health Authority – Maintaining Medical Equipment

### 1.0 MAIN POINTS

This chapter reports that Saskatoon Regional Health Authority (Saskatoon RHA) has implemented the recommendation from our 2011 audit of its processes to maintain medical equipment.

### 2.0 INTRODUCTION

In our *2011 Report – Volume 1*, we concluded that Saskatoon RHA had effective processes to maintain its medical equipment except that it needed to establish written policies and procedures for maintaining its medical equipment. We made one recommendation.

In 2012, we followed up on our 2011 recommendation and concluded that Saskatoon RHA had more work to do.

During 2013, we followed up again to assess management's progress towards implementing our 2011 recommendation.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Handbook - Assurance*. To evaluate Saskatoon RHA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Saskatoon RHA's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATION

In this section, we set out our past recommendation and Saskatoon RHA's action up to July 31, 2013, as well as the status of the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that Saskatoon RHA has implemented our recommendation.

We recommended that Saskatoon Regional Health Authority establish written policies and procedures for maintaining medical equipment at all of its healthcare facilities. (2011 Report – Volume 1; Public Accounts Committee agreement October 12, 2012)

**Status** – Implemented

On July 17, 2013, the Board approved comprehensive written policies and procedures relating to management, inspection, maintenance, and repair of Saskatoon RHA's medical equipment.



## Chapter 44

# Financial and Consumer Affairs Authority of Saskatchewan – Regulating Saskatchewan Credit Unions

### 1.0 MAIN POINTS

Financial and Consumer Affairs Authority of Saskatchewan (FCAA) has implemented the recommendation we made in our 2011 audit about the Registrar of Credit Union's (Registrar) processes to regulate credit unions. The Ministry of Justice and FCAA have formally assigned roles and responsibilities to supervise regulation of credit unions.

### 2.0 INTRODUCTION

*The Credit Union Act, 1998* (Act) provides an overall framework for the incorporation and regulation of credit unions in Saskatchewan. As allowed under the Act, the Minister of Justice and Attorney General appointed an individual as the Registrar. The Registrar is also an employee of the FCAA (formerly Saskatchewan Financial Services Commission).

In 2011, we assessed the Registrar's processes to regulate credit unions. Our *2011 Report - Volume 1*, Chapter 8 concluded that the Registrar had adequate processes to supervise the regulation of credit unions. We made one recommendation.

This chapter describes our follow-up of management's actions on the recommendation we made in 2011.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate FCAA's progress towards meeting our recommendations, we used the relevant criteria from the original audit. FCAA's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATION

This section sets out the recommendation and FCAA's actions up to July 22, 2013. We found that FCAA has implemented the recommendation.

#### 3.1 Clarifying Roles and Responsibilities

We recommended that the Ministry of Justice (formerly Ministry of Justice and Attorney General) and the Financial and Consumer Affairs Authority of Saskatchewan (formerly Saskatchewan Financial Services Commission) formally assign roles and responsibilities to supervise regulation of credit unions. (2011 Report – Volume 1; Public Accounts Committee agreement October 4, 2012)

**Status** – Implemented



Under the Act, the Registrar is responsible for credit union regulatory policy development, administration, enforcement, and protection of consumers and the public interest.

Effective February 1, 2012, the Minister of Justice and Attorney General appointed the Chair and Chief Executive Officer of FCAA as the Registrar, and the Director of the Consumer Credit Division of FCAA as Deputy Registrar.

This structure will help ensure FCAA can undertake the activities necessary to discharge its duties for supervising credit unions.

## Chapter 45

### Justice – Monitoring Municipal Policing

#### 1.0 MAIN POINTS

In 2011, we assessed the effectiveness of the processes used by the Ministry of Justice (formerly Ministry of Corrections and Policing) and the Saskatchewan Police Commission (Commission) to monitor municipal policing excluding the policing services provided by the Royal Canadian Mounted Police (RCMP). We concluded that both the Commission and the Ministry of Justice (Ministry) needed to do more, and made six recommendations to help them better monitor municipal policing.

In 2013, we followed up on our recommendations. We found that the Commission has implemented two of the recommendations but the Commission and the Ministry need to do more work to address the remaining four.

The Ministry needs to ensure that the Commission has adequate resources to fulfill its mandate. Also, the Commission and the Ministry need to clearly set out their respective roles and responsibilities, develop a strategic plan, and implement a process to monitor compliance with municipal policing standards.

#### 2.0 INTRODUCTION

Policing in the province is provided through municipal police services and agreements with the RCMP. Municipal police services, excluding policing services provided by the RCMP, are responsible for providing police services in 13 municipalities. *The Police Act, 1990* (Act) assigns responsibility to both the Commission and the Minister Responsible for Corrections and Policing<sup>1</sup> to promote adequate and effective policing throughout Saskatchewan.

In our *2011 Report – Volume 2*, Chapter 4, we concluded that the Ministry and the Commission should have had more effective processes to monitor municipal policing to ensure that municipal police services uniformly safeguard the communities they serve. We made six recommendations.

This chapter describes our follow up of management's actions on those recommendations. We found that the Ministry and the Commission have implemented two of our recommendations, but have more work to do to address the remaining four.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the Commission's and the Ministry's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Commission's management agreed in principle with the criteria in the original audit.

<sup>1</sup> Effective May 25, 2012, the responsibilities of corrections and policing became part of the Ministry of Justice.





## 3.0 STATUS OF RECOMMENDATIONS

### 3.1 Compliance with Policy Manual

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We recommended that the Saskatchewan Police Commission ensure policies and procedures of municipal police services comply with the Saskatchewan Police Commission's policy manual. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

On January 30, 2013, the Commission set up a process to ensure that municipal police policies and procedures comply with the Commission's policy manual. As of August 2013, the Commission's Policy, Standards and Compliance Officer completed 64 policy compliance audits and gave the results to the municipal police services. The Commission plans to follow up those results and carry out further audits to ensure that the policies and procedures of the municipal police services align with the standards set by the Commission's policy manual.

### 3.2 Regular Meetings Held

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We recommended that the Saskatchewan Police Commission meet regularly as planned to carry out its roles and responsibilities. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

During 2012-13, the Commission met regularly to carry out its roles and responsibilities.

### 3.3 Memorandum of Understanding Signed

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We recommended that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) and the Saskatchewan Police Commission have a written agreement that sets out their respective roles and responsibilities for promoting adequate and effective policing throughout Saskatchewan. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

We recommended that the Ministry of Justice (formerly Ministry of Corrections, Public Safety and Policing) ensure that the Saskatchewan Police Commission has adequate resources to fulfill its mandate under *The Police Act, 1990*. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

On June 25, 2012, the Commission and the Ministry signed a written Memorandum of Understanding (MOU) that commits the Ministry to undertake joint planning for the allocation of responsibilities and resources and to provide the necessary resources the Commission needs to carry out its planned activities.

The MOU sets out a process through which the Ministry and the Commission may cooperate. However, a written agreement that clearly sets out their respective roles and responsibilities for promoting adequate and effective policing has not been prepared.

### 3.4 Strategic Plan Needed

We recommended that the Saskatchewan Police Commission in partnership with the Ministry of Justice (formerly Ministry of Corrections, Public Safety, and Policing) develop strategic and operational plans for effective monitoring of municipal policing. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

The Commission indicated that it is committed to developing long-term strategic and operational plans for effective monitoring of municipal policing. However, formal strategic and operational plans are not fully documented.

### 3.5 Monitoring Process Needed

We recommended that the Saskatchewan Police Commission and Ministry of Justice (formerly Ministry of Corrections, Public Safety, and Policing) implement a process for monitoring compliance with municipal policing standards and ensure action is taken to address non-compliance. (2011 Report – Volume 2; Public Accounts Committee has not yet considered this recommendation)

**Status** – Partially Implemented

The Commission and the Ministry use a variety of processes to monitor compliance with municipal policing standards. These include, although are not limited to, monitoring the



complaints filed to the Public Complaints Commission (PCC),<sup>2</sup> requiring municipal police agencies to report on certain higher risk activities, monitoring progress of ongoing discipline investigations, as well as reviewing cases where serious incidents occur.

These reporting processes enable the Commission and the Ministry to monitor police service operations for the emergence of trends or patterns which might suggest a systemic or organizational failure to comply with policing standards or to address individual incidents of non-compliance.

The Commission, under the Act, has the option to conduct audits and reviews of municipal police services. As noted in **Section 3.1**, on January 30, 2013, the Commission implemented a process to review municipal police services' policies and procedures for compliance with the Commission's policy manual. Officials of the Commission and the Ministry indicated that concerns are responded to on a case by case basis. However, neither the Commission nor the Ministry has documented a consistent process for addressing incidents of non-compliance with municipal policing standards.

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<sup>2</sup> The Public Complaints Commission is an independent body created under *The Police Act, 1990*.

## Chapter 46

# Saskatchewan Liquor and Gaming Authority – Encouraging Responsible Use of Beverage Alcohol

### 1.0 MAIN POINTS

This chapter reports our follow-up of one outstanding recommendation from our *2006 Report – Volume 1*, Chapter 7 regarding the Saskatchewan Liquor and Gaming Authority’s (Liquor & Gaming) processes to encourage responsible use of beverage alcohol. At September 30, 2013, Liquor & Gaming had partially implemented the outstanding recommendation. It had developed measures to evaluate its performance in encouraging responsible use of beverage alcohol, but had not yet developed specific targets for all of its measures. Also, Liquor & Gaming had not yet reported actual results for its performance measures to senior management.

### 2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997 (Act)*, Liquor & Gaming is responsible for the distribution, control, and regulation of liquor in Saskatchewan. The Act also authorizes Liquor & Gaming to develop, promote, or support activities or programs designed to encourage responsible alcohol consumption.

Liquor & Gaming’s mission is “Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products.”<sup>1</sup> Liquor & Gaming aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2012-13, Liquor & Gaming generated gross revenue of \$592.3 million from liquor sales.<sup>2</sup>

This chapter contains the results of our follow-up of recommendations originally made in our *2006 Report – Volume 1*, Chapter 7 on Liquor & Gaming’s processes to encourage responsible use of beverage alcohol. In that report, we concluded that Liquor & Gaming had effective processes in place to encourage responsible use of beverage alcohol except it needed to assign responsibility for encouraging responsible use, prepare a complete plan, and continue to develop performance measures and targets to evaluate its performance. We made three recommendations.

By September 2011, Liquor & Gaming had implemented two recommendations (formally assign responsibility for encouraging responsible use of beverage alcohol and prepare a complete social responsibility plan), but had not yet fully implemented our recommendation to research and develop performance measures and targets.<sup>3</sup>

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate Liquor & Gaming’s progress towards meeting our recommendations, we used the relevant criteria from the

<sup>1</sup> Saskatchewan Liquor and Gaming Authority. *2012-13 Annual Report*, p. 6.

<sup>2</sup> *Ibid.*, p. 7.

<sup>3</sup> *2011 Report – Volume 2*, Chapter 19A (p. 392-393) and *2009 Report – Volume 1*, Chapter 8 (p. 114-117).



original audit. Liquor & Gaming's management agreed with the criteria in the original audit.

## 3.0 STATUS OF RECOMMENDATION

This section sets out our past recommendation, Liquor & Gaming's actions up to September 30, 2013, and the status of the recommendation including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We found that Liquor & Gaming had not fully implemented our remaining recommendation.

### 3.1 Performance Targets and Complete Reporting on Performance Measures Needed

We recommended that Saskatchewan Liquor and Gaming Authority continue to research and develop performance measures and targets to evaluate its performance in encouraging responsible use of beverage alcohol. (2006 Report – Volume 1; Public Accounts Committee agreement October 31, 2006)

**Status** – Partially Implemented

In 2013, Liquor & Gaming's approved Responsible Use Strategic Plan (RU Plan) set out its objectives for encouraging responsible use of beverage alcohol. These objectives mainly relate to:

- › Increasing public awareness of alcohol abuse services and harm reduction programs
- › Increasing alcohol service providers' and suppliers' knowledge of responsible alcohol service practices
- › Restricting minors and other vulnerable groups' access to beverage alcohol

The RU Plan included performance measures that Liquor & Gaming planned to use to evaluate its progress towards achieving its established objectives. Management has indicated that because Liquor & Gaming finds it challenging to accurately measure the outcome of the social responsibility initiatives aimed at modifying human behaviour due to the nature of these initiatives (e.g., information campaigns, training for beverage alcohol servers), it has selected performance measures that focus on activities and outputs (e.g., amount and location of brochures distributed, number of individuals trained).

While Liquor & Gaming had developed performance measures, it had not yet set specific targets for all of its measures. Without specific targets, it is not clear what Liquor & Gaming planned to achieve and by when.

Management created a template that it plans to use to report to senior management on the established performance measures. However, Liquor & Gaming had not yet reported actual results for each performance measure to senior management.

## Chapter 47

# Saskatchewan Liquor and Gaming Authority – Liquor Procurement Process

### 1.0 MAIN POINTS

This chapter reports our follow-up of seven outstanding recommendations from our *2012 Report – Volume 1*, Chapter 17 regarding the Saskatchewan Liquor and Gaming Authority's (Liquor & Gaming) processes to procure liquor. At September 30, 2013, Liquor & Gaming had implemented two of the recommendations but had not yet implemented the remaining five. Liquor & Gaming needs to better document information used in its procurement process, develop written procedures for product selection and monitoring product performance, and formalize its evaluation of liquor products. Liquor & Gaming also needs to obtain formal assurance that liquor products are safe to drink.

### 2.0 INTRODUCTION

Under *The Alcohol and Gaming Regulation Act, 1997 (Act)*, Liquor & Gaming is responsible for the distribution, control, and regulation of liquor in Saskatchewan.

Liquor & Gaming's mission is "Serving Saskatchewan people with excellence while promoting economic growth through the socially responsible distribution, management, operation and regulation of liquor and gaming products."<sup>1</sup> Liquor & Gaming aims to achieve a balance between generating revenue, promoting responsible use of alcohol, and providing customers with product selection and value. In 2012-13, Liquor & Gaming generated gross revenue of \$592.3 million from liquor sales.<sup>2</sup>

This chapter contains the results of our follow-up of recommendations originally made in our *2012 Report – Volume 1*, Chapter 17 on Liquor & Gaming's processes to procure liquor. In that report, we concluded that Liquor & Gaming had effective processes in place to procure liquor with some exceptions. We made seven recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate Liquor & Gaming's progress towards meeting our recommendations, we used the relevant criteria from the original audit. Liquor & Gaming's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out our past recommendations, Liquor & Gaming's actions up to September 30, 2013, and the status of the recommendations including the date on which the Standing Committee on Public Accounts agreed to the recommendation. We

<sup>1</sup> Saskatchewan Liquor and Gaming Authority. *2012-13 Annual Report*, p. 6.

<sup>2</sup> *Ibid.*, p. 7.



found that Liquor & Gaming implemented two of the recommendations but still had work to do to meet the remaining five.

### **3.1 Improved Documentation of Information Used in Procurement Process Needed**

---

We recommended that Saskatchewan Liquor and Gaming Authority document what it uses and how it uses the information it has to ensure the product selection meets its customers' needs. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is reviewing its product selection. It plans to integrate customer feedback and sales data into its product selection processes. It expects to complete this review and restructuring in 2014.

### **3.2 Written Product Selection Procedures Needed**

---

We recommended that Saskatchewan Liquor and Gaming Authority develop written procedures for staff to use to objectively select all liquor purchases. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is developing a new product scoring tool that it expects to include specific criteria for selecting liquor products (e.g., taste, price/value, supplier performance, projected sales/profitability, and marketing investment). This tool will be included in Liquor & Gaming's revised listing policy. Management indicated that it expects the revised listing policy to be completed and approved by senior management in late 2013 for implementation in 2014.

### **3.3 Formal Evaluation of New Liquor Products Needed**

---

We recommended that Saskatchewan Liquor and Gaming Authority formally evaluate new liquor products and share written results of these evaluations with unsuccessful suppliers. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

As noted in **Section 3.2**, Liquor & Gaming is developing a new product scoring tool. Once the tool is developed and implemented, it plans to provide the scoring results to unsuccessful suppliers.

### 3.4 Need to Obtain Formal Assurance that Products are Safe to Drink

We recommended that Saskatchewan Liquor and Gaming Authority obtain formal assurance that liquor products sold in Saskatchewan are safe to drink and contain their stated alcohol content. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

Liquor & Gaming is developing a quality assurance policy relating to liquor products sold in Saskatchewan. It expects to provide this policy to senior management for review and approval in 2014.

### 3.5 Written Procedures for Monitoring Product Performance Needed

We recommended that Saskatchewan Liquor and Gaming Authority develop and use written procedures for monitoring product performance regarding sales targets, quotas, and product quality. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Not Implemented

In conjunction with its review of its product selection models and restructuring noted in **Section 3.1**, Liquor & Gaming plans to develop and document complete policies and procedures for monitoring product performance. Some examples of planned changes include removing quotas set by product, developing a range for the number of product listing targets in each category, and presenting de-listing recommendations to the Listing Committee based on defined criteria.





### 3.6 Procurement and Pricing Policies are Publically Available

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We recommended that Saskatchewan Liquor and Gaming Authority make its procurement and pricing policies public and provide a breakdown of liquor price (e.g., cost, taxes, markup, etc.). (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

In September 2013, Liquor & Gaming posted its current liquor procurement and pricing policies on its website. These policies included information on the components of liquor prices including cost, taxes, markup, etc.

### 3.7 Listing Committee Minutes are Kept

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We recommended that the Listing Committee of Saskatchewan Liquor and Gaming Authority keep minutes supporting its decisions on product listings and de-listings. (2012 Report – Volume 1; Public Accounts Committee has not yet considered this recommendation)

**Status** – Implemented

Liquor & Gaming started keeping detailed minutes of the decisions made by the Listing Committee on December 5, 2012. The Listing Committee minutes included information on members in attendance, meeting date, summary of comments provided by members on products presented, and the final decision whether to list or de-list. Management indicated it expects to formally approve these minutes for meetings held after July 2013.

## Chapter 48

# Saskatchewan Telecommunications Holding Corporation – Wireless Network Security Controls

### 1.0 MAIN POINTS

In this chapter, we report that Saskatchewan Telecommunications Holding Corporation (SaskTel) has implemented the last remaining recommendation from our 2009 audit of its wireless network security controls.

### 2.0 INTRODUCTION

In our *2009 Report – Volume 1*, Chapter 13, we concluded that SaskTel did not have adequate wireless network security controls at its head office and the Regina data centre for the period of August 1, 2008 to January 31, 2009. We made seven recommendations.

In our *2011 Report – Volume 1*, Chapter 16 (our first follow-up), we reported that SaskTel had many actions planned or underway to respond to these recommendations.

In our *2013 Report – Volume 1*, Chapter 29 (our second follow-up), we reported that SaskTel had implemented all but one of our recommendations. In August 2013, we examined SaskTel's actions on this remaining recommendation.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate SaskTel's progress towards meeting the recommendation, we used the relevant criteria from the original audit. SaskTel's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATION

This section sets out our recommendation and SaskTel's actions to August 31, 2013. We found that SaskTel has implemented the recommendation.

#### 3.1 Wireless Security Scans Performed

We recommended that SaskTel regularly perform wireless security scans and address weaknesses found. (2009 Report – Volume 1; Crown and Central Agencies Committee has not yet considered this recommendation)

**Status** – Implemented



SaskTel has implemented changes to regularly perform wireless security scans, based on its risk assessment, to identify inappropriate wireless activity and help ensure that only authorized wireless devices connect to SaskTel's wireless network. SaskTel has also implemented a process to respond to issues identified by its wireless security scans.

## Chapter 49

# Water Security Agency – Identifying Risks to the Water Supply

### 1.0 MAIN POINTS

Effective October 1, 2012, Saskatchewan Watershed Authority became the Water Security Agency (Agency).

The Agency has addressed four of the six recommendations that we made in our 2010 audit of the Agency's processes to identify risks to the water supply. The Agency still needs to consistently document causes of risks to the water supply and communicate the likelihood and impact of key risks to the public.

### 2.0 INTRODUCTION

The Agency supports the protection of drinking water, flood and drought response, and management of water supplies, water quality, and aquatic habitat. The Agency also owns and operates provincial dams and water supply channels.

In Chapter 19 of our *2010 Report – Volume 2*, we reported on Saskatchewan Watershed Authority's processes to identify risks to the water supply and made six recommendations for the Authority to improve its processes.

This is our first follow-up to the 2010 audit. At September 30, 2013, the Agency has addressed four of our six recommendations.

To conduct this review, we followed the standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. To evaluate the Agency's progress towards meeting our recommendations, we used the relevant criteria from the original audit. The Agency's management agreed with the criteria in the original audit.

### 3.0 STATUS OF RECOMMENDATIONS

This section sets out each recommendation, the Agency's actions up to September 30, 2013, and the status of recommendations (including the date on which the Standing Committee on Public Accounts agreed to the recommendation).



### 3.1 Policy Approved for Identifying Risks to the Water Supply

---

We recommended that the Water Security Agency's (formerly Saskatchewan Watershed Authority) Board approve a policy for identifying risks to the water supply. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented

The Agency approved a Strategic Risk Management Process Policy on March 13, 2012. The policy outlines a formalized strategic risk management process that will support all levels of decision making. Under the policy, the Agency plans to undertake strategic risk management on an annual basis. This is expected to include identifying major risks to the water supply.

### 3.2 Plan in Place for Identifying Risks to the Water Supply

---

We recommended that the Water Security Agency (formerly Saskatchewan Watershed Authority) implement a written plan for identifying risks to the water supply. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented

In October 2012, the Agency released the *25 Year Saskatchewan Water Security Plan* (Plan). The Plan outlines seven goals to help ensure the sustainability and quality of Saskatchewan's surface and groundwater supplies. The Agency leads the implementation of the Plan.

The Plan outlines action items to be undertaken to achieve the overall goals. For example, the Plan notes that a Boreal Watershed Initiative will be completed by 2016. The Boreal Watershed Initiative is expected to identify risks and thresholds to protect northern waters, which are being impacted by industrial emission pollutants such as nitrogen dioxide and sulphur dioxide that are transported to water bodies through the air (i.e., falling precipitation).

The Agency plans to renew the Plan every five years.

### 3.3 Processes Documented for Collecting Information about Water Supply

We recommended that the Water Security Agency (formerly Saskatchewan Watershed Authority) document its processes to collect information about the water supply. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented

The Agency has developed procedures to monitor the quantity and quality of surface and groundwater. The procedures outline the methodology and sampling frequency for both water quantity and water quality monitoring.

The Agency collects water quantity information from 283 stations across the province, some of which are owned and operated by Environment Canada. Data from this network of stations is used for watershed planning, flood forecasting, ensuring interprovincial obligations are honoured, and identifying and mitigating risks to water management infrastructure. The Agency also monitors groundwater levels through 70 wells in the province.

The Agency now directly monitors water quality at 23 sites in the province that were previously monitored by the Ministry of Environment. Monitoring of water quality also occurs at Rafferty and Alameda Reservoirs, Lake Diefenbaker, and four Qu'Appelle Lakes. Samples from the monitoring sites are assessed for various components of water quality including nutrients, biology, general chemistry, heavy metals, and pesticides. Monitoring samples helps to determine the health status of the ecosystem and inform decision making.

### 3.4 Information Evaluated About Water Supply

We recommended that the Water Security Agency (formerly Saskatchewan Watershed Authority) systematically evaluate information about the water supply to identify risks. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Implemented

The Agency is incorporating risk assessments into water supply evaluations and decision making. For example, an operating plan for Lake Diefenbaker is being prepared by the Agency and is scheduled for completion in 2014. Lake Diefenbaker is a critical water resource that provides multiple services (e.g., drinking water, water for agriculture, and recreational opportunities) for the province. The Agency is using a stakeholder engagement process along with technical sampling data to develop formal rules and operating procedures for Gardiner Dam at Lake Diefenbaker.



In addition, through local watershed advisory committees and technical committee members (including staff from the Agency), 12 watersheds have developed watershed plans. For example, the plan for the Lower Qu'Appelle watershed, which was released in July 2013, was developed based on the analysis of water supply information and risks. The watershed plan outlines strategies for addressing those risks.

### 3.5 Need to Document Identified Causes of Risks

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We recommended that the Water Security Agency (formerly Saskatchewan Watershed Authority) consistently document identified causes of risks to the water supply. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

The Agency continues to work on identifying the specific causes of risks to the water supply and documenting action plans to mitigate the causes.

### 3.6 Need to Improve Communication About Risks to the Water Supply to the Public

---

We recommended that the Water Security Agency (formerly Saskatchewan Watershed Authority) communicate to the public risks to the water supply including likelihood and impact of these risks. (2010 Report – Volume 2; Public Accounts Committee agreement January 20, 2011)

**Status** – Partially Implemented

The Agency informs the public about the state of Saskatchewan watersheds through its *State of the Watershed Report*. This report is published every five years and was last published in 2010. The report provides trends on the health of watersheds and the stressors that are negatively impacting them. The report includes limited management activities that are being adopted to mitigate the stress and improve the health of the watersheds. The results in the report do not allow conclusions to be made about cause-and-effect relationships on the stressors identified. As the Agency begins to identify causes of risks to water supply (as noted in **Section 3.5**), it should begin documenting these causes and action plans to address them in future *State of the Watershed Reports*.

A *State of Drinking Water Quality Report* has also been published annually for the past 10 years, previously by the Ministry of Environment, and now by the Agency. The report outlines the activities undertaken for drinking water management and source water protection.

The Agency also plans to publicly report on the implementation of the *25 Year Saskatchewan Water Security Plan*.



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## Studies

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## Chapter 50

### Boards of Education—School Board Governance

#### 1.0 MAIN POINTS

This chapter presents selected results from our survey of board members and selected executives of boards of education.<sup>1</sup> We surveyed them in mid-2013 to gain an understanding of the state of board governance in school divisions, to identify issues as perceived by board members and senior management, and to identify opportunities to improve governance practices. Our full report, titled *A Survey of Board Governance in Saskatchewan School Divisions—Practices, Issues, and Opportunities* is available at [www.auditor.sk.ca](http://www.auditor.sk.ca).

The survey results provide an interesting picture of the state of board governance in school divisions and their role vis-à-vis the Minister of Education.

Board members and executives agree, to a significant extent, on many of the issues raised in the survey. Nevertheless, there are areas where the views of the two groups differ. For example, a significant number of board members indicate that board decision making is difficult because some board members represent special interests; almost twice as many executives hold this view. Fewer executives than board members say that the board requires action if the school division's performance is below the board's expectations. Board members and executives have different views on time commitment and attendance issues for board members, as well as on how the board uses the work of board committees, such as the audit/finance committee.

Also, divergent views and uncertainty exist regarding the roles and responsibilities of board members, boards and the Ministry of Education (Ministry). The results point to a desire for improved communication between boards and the Ministry. Board members and executives have expressed the desire for more consistent messages from the Ministry about Ministry priorities and expectations, for the Ministry to consider, to an increased degree, the impact of Ministry decisions and directives on boards, and to obtain more feedback from the Ministry on their planning. Boards have also indicated that they do not think the public understands the role of boards and the issues they face.

We encourage the use of the survey results set out in the full report as a resource for constructive dialogue. School board members may wish to discuss the survey results within their own board and with their executives. The Ministry and school boards could also consider how the survey results could be used to enhance governance training.

#### 2.0 INTRODUCTION

This chapter presents selected findings of a governance survey of 28 school boards, including the Conseil scolaire fransaskois. Effective governance is of particular importance for school divisions due to the crucial role of education in our society, the

<sup>1</sup> In this chapter, we use “board of education” and “school board” interchangeably to refer to the group responsible for governing a school division.



large amount of spending by school divisions (\$1.9 billion in 2012), and changes to education in Saskatchewan.

The study was not an audit or evaluation of school boards; it was intended to increase awareness of current governance practices of these boards. In particular, the purpose of our study was to:

- › Gain an understanding of the state of school board governance
- › Identify issues as perceived by board members and senior management
- › Raise awareness of governance issues and best practices
- › Enable board members and senior management to assess their governance practices against best practices
- › Identify opportunities for improvement of governance practices

### 3.0 BACKGROUND

There are 28 school divisions in Saskatchewan. Over 168,000 students are in more than 600 Saskatchewan schools each day. For more information regarding school divisions, see our *2013 Report – Volume 1*, Chapters 5 and 8.

*The Education Act, 1995* and regulations set out the roles and responsibilities of the Ministry and of school boards. Members of school boards are elected. *The Education Act, 1995* and regulations, as well as *The Local Government Election Act* set out the process and requirements for elections. The fact that school board members are elected adds complexity to the governance model used for school boards.

Also, *The Education Act, 1995* and regulations set out the senior executive positions within school divisions including their key responsibilities and appointment process. For example, the Director of Education is the chief executive officer of a school division and is appointed by the board, as is the chief financial officer (CFO).

### 4.0 METHODOLOGY

Two surveys were developed by our Office. One survey was designed for board members, while the other was designed for senior executives for each school division who work closely with the board—the Director of Education and the CFO.

The survey took place in May and June 2013. Surveys were completed by respondents and reflect their opinions and experiences serving as board members and executives.

In total, 306 people received surveys and 137 were completed, giving an overall response rate of 45%. 97 board member surveys (39%) and 40 (71%) executive surveys were returned.

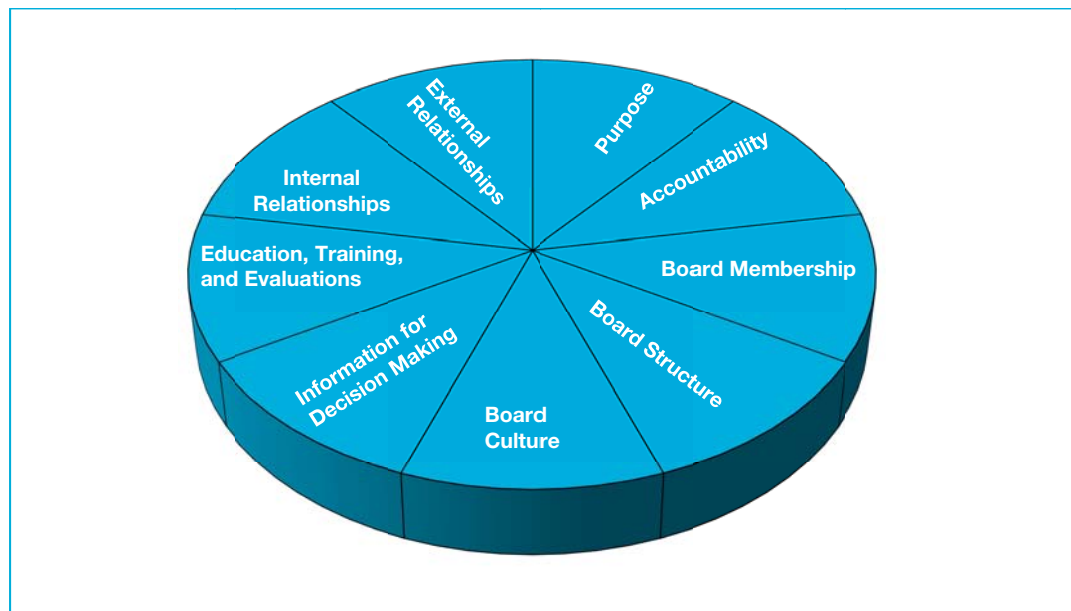
For most questions, respondents were asked to rank how strongly they identified with different statements regarding board governance using a scale of 1 to 5 with values as follows: 1 = strongly disagree; 2 = disagree; 3 = neutral/neither; 4 = agree; 5 = strongly agree. For the purposes of this report, we grouped responses 1 and 2 together as “disagree” and grouped responses 4 and 5 together as “agree.”

The practices reflected in our questions were developed from governance literature and the work of other legislative audit offices. In particular, we referenced governance studies developed by the Office of the Auditor General of Manitoba.

## 5.0 SELECTED RESULTS

This section of the report is organized around the nine attributes of governance outlined in **Figure 1**. Within these broader attributes, we briefly describe each attribute in the context of school boards (in *italics*) and provide survey results selected to reflect important elements of governance and to illustrate interesting results.

**Figure 1 – Nine Attributes of Governance**



### 5.1 Purpose

*To govern effectively, it is important that board members clearly understand their role and responsibilities, both as a board and as individual board members. Using this knowledge of their role and responsibilities, boards should establish plans for fulfilling their mandate and meeting the Ministry’s priorities and directives. Boards should be involved in developing plans and not merely ratify plans provided by management. Boards should identify specific performance goals and objectives they expect their school division to achieve. When making decisions, boards should then refer to their plans to determine whether their decisions are working towards the overall goals of their school divisions. As well, it is important that boards receive adequate and timely feedback from the Ministry on their plans.*

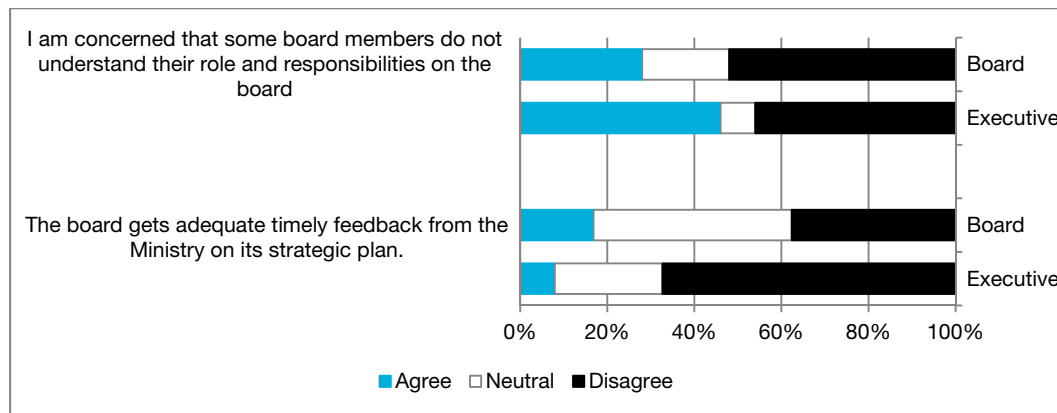


*It is also important that boards clarify the values and principles that guide their decisions. Boards should demonstrate high ethical standards that set an appropriate tone for the whole organization.*

In general, board members and executives have a positive outlook on the role and mandate of their school board. The survey indicates that board members and executives share a strong confidence in the ability of their board to make decisions regarding the planning, organization, delivery, and evaluation of education. However, a considerable number of board members and executives express concern that some members do not understand their role and responsibilities.

Also, most board members and executives share a positive outlook on their board's use of strategic planning. A smaller proportion of board members and executives indicate that their board gets adequate and timely feedback from the Ministry on its strategic plan.

**Figure 2—Purpose**



## 5.2 Accountability

*School boards have multiple accountabilities. They are accountable to their electorate. They are also accountable to the Minister of Education as well as to other stakeholders in the education system including students and parents.*

*For the school board-Ministry relationship to be effective, boards and the Ministry must be clear on their respective responsibilities. It is also important that the Ministry provide clear messages about its expectations and priorities.*

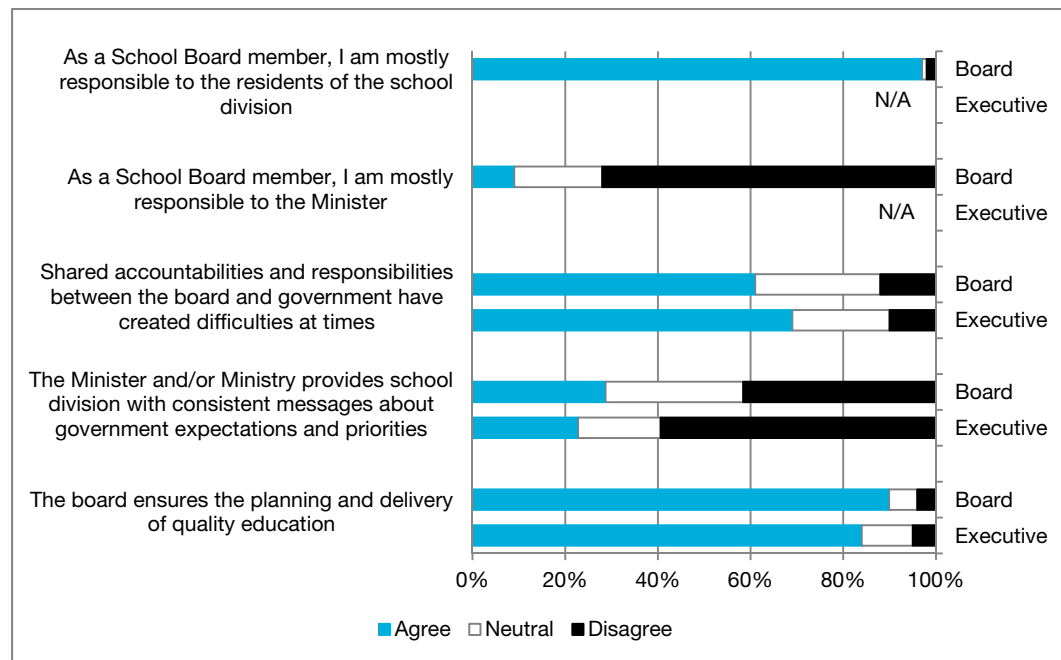
Almost all board members indicate that they are mostly responsible to the residents of the school division, rather than to the Minister of Education.

About two-thirds of board members and executives say that shared accountabilities and responsibilities between the board and government have created difficulties at times. Less than one-third of board members and less than one-quarter of executives indicate that the Ministry provides the school division with consistent messages about government expectations and priorities.

Board members and executives have very positive views of their board's fulfillment of accountability requirements. For example, most board members and executives state

that they are satisfied with the work of their school division in ensuring the planning and delivery of quality education.

**Figure 3—Accountability**



## 5.3 Board Membership

*Attributes of individual board members and the commitment of board members strongly influences how well boards are able to carry out their duties. While elected boards are not able to recruit new members to address gaps in skills and abilities, they should identify gaps and ensure that they have the advice they need to govern effectively.*

*To maintain a positive board culture, it is important that members are committed to their role as board members, do not find the time commitment to be excessive, feel satisfied with what they accomplish, and work with equally-committed board colleagues.*

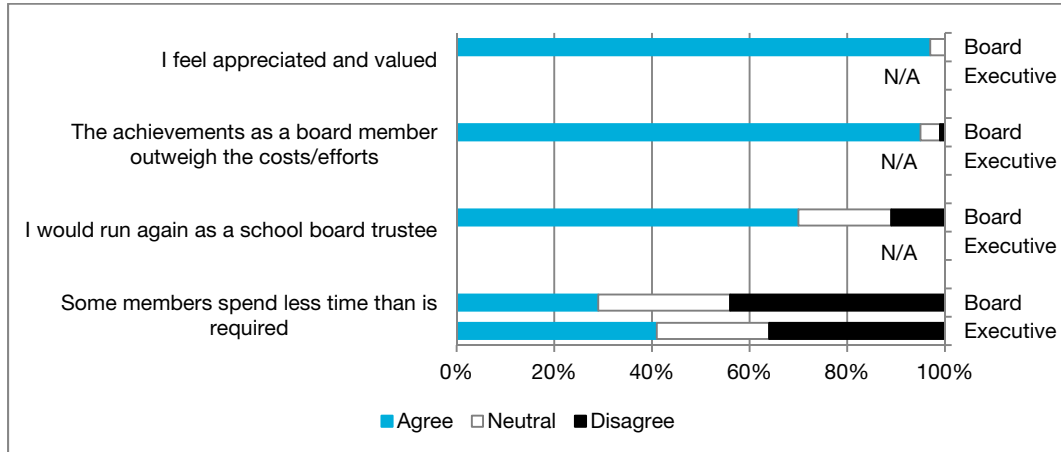
Board members and executives identified the following four skills and characteristics as the most important for board members to possess: representation of community values/ethics, representation of community demographics and diversity, leadership skills, and knowledge of government/public sector. Both groups also indicate that these skills and characteristics are among the skills and characteristics currently most represented on their board.

Almost all board members feel appreciated and valued as board members and that what they can accomplish as a board member outweighs the costs and efforts. Most board members say that they would run again as a school board trustee.

Under one-third of board members and under one-half of executives say that some members on their board spend less time than is required to do an adequate job.



**Figure 4—Board Membership**



## 5.4 Board Structure

*Board structure is the framework within which board governance takes place. Board practices, such as the number of meetings per year and conflict of interest policies, agenda setting, and the use of committees shape board structure. Annual work plans, for example, help boards focus on meeting their governance requirements and responsibilities.*

*The chairperson is responsible for setting the board's meeting agenda, and he or she should work with management in performing this task. It is important that board members do not play a passive role, but have the opportunity to contribute.*

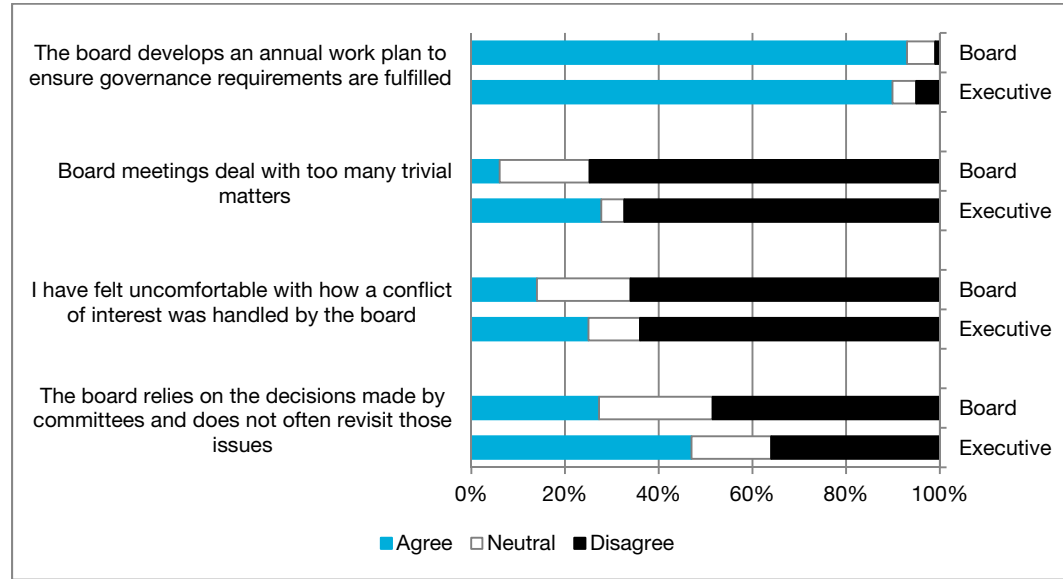
*The mandate and authority of each committee should be clearly articulated and periodically reviewed so that the work of committees can remain focused. An annual evaluation of the performance of each committee can help support their effective functioning.*

Board members and executives express satisfaction with most board practices. For example, the majority of board members and executives are satisfied with their board's work in developing an annual work plan to ensure governance requirements are fulfilled.

Board members and executives are generally satisfied with the agenda setting practices of their board. However, while few board members think that board meetings deal with too many trivial matters, over one-quarter of executives claim this to be the case.

Few board members express concern with how conflicts of interest were handled by the board. More executives indicated concern.

Significantly more executives than board members are of the view that the board relies on decisions made by committees and does not often revisit those issues.

**Figure 5— Board Structure**

## 5.5 Board Culture

*Board culture is affected by, and has a strong influence on, board member participation, debate, and ultimately, decision making. Boards should foster a culture of participation and diversity of opinion. Board members should not feel constrained or reluctant to ask questions or participate in discussions. Differences of opinion and opposing viewpoints should be expressed to permit the board to come to informed decisions. Boards must also ensure that they are comfortable evaluating management's suggested solutions and alternatives, and ensure that they do not merely "rubber-stamp" decisions.*

*A capable chairperson is necessary to facilitate board meetings and help ensure that the business of the board is being appropriately conducted. The chairperson plays a key role in maintaining positive team dynamics, managing conflict on the board, and ensuring that all board members participate in productive discussions and debates.*

Overall, board members and executives indicate that board member participation is strong. For example, most board members and executives agree that their board works well together as a team.

Board members and executives appear to have a positive view of their board's debate and decision-making processes. For example, most board members and executives say that their board's decision-making process facilitates considered and informed decisions.

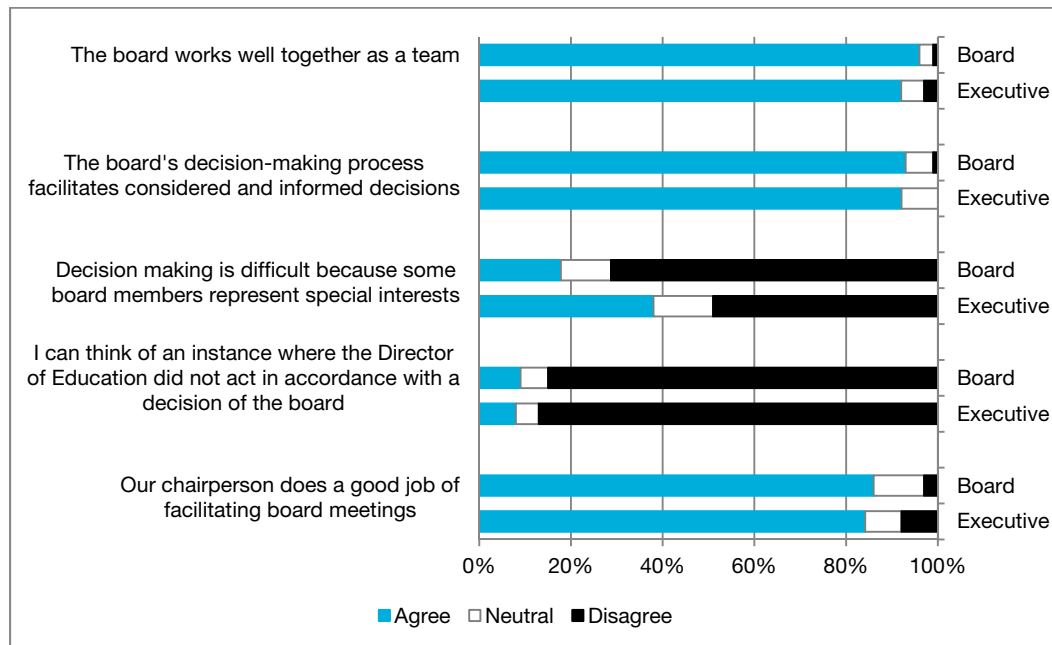
A significant percentage of board members indicate that decision making is difficult because some board members represent special interests. The percentage of executives indicating concern on this issue is even higher.

Board members and executives generally had a positive view of management's role in decision making. For example, few board members and executives could think of an instance where the Director of Education did not act in accordance with a decision of the board.



Board members and executives express a positive view of their Chairperson. For instance, most board members and executives say that their Chairperson does a good job of facilitating board meetings.

**Figure 6—Board Culture**



## 5.6 Information for Decision Making

*It is important that boards identify the information they require to make well-informed decisions. Boards must not be passive in accepting information. Rather, boards should assess their information needs on a regular basis, communicate these needs to management and ensure that management fulfills these needs. Information provided to boards should be timely, clear, and relevant.*

*Adequate monitoring of a school board's performance involves analysis of financial information. Thus, management needs to provide boards with appropriate financial information. Since financial expertise varies, management must clearly explain the financial information presented to boards.*

*Boards should regularly include issues related to risk management on agendas and specify the scope and frequency of risk reports to be received from management. Boards should be clear about the risks they have decided to accept.*

About one-fifth of board members indicate they would like more information than what management provides. A similar number of board members and somewhat more executives indicate that the Minister and/or Ministry provides their board with the appropriate information needed to do an adequate job. About one-fifth of board members and executives say that their board receives information from the Minister and/or Ministry in a timely fashion.

Interestingly, while almost all board members and executives say that the material required for board meetings is pre-circulated to board members within a reasonable



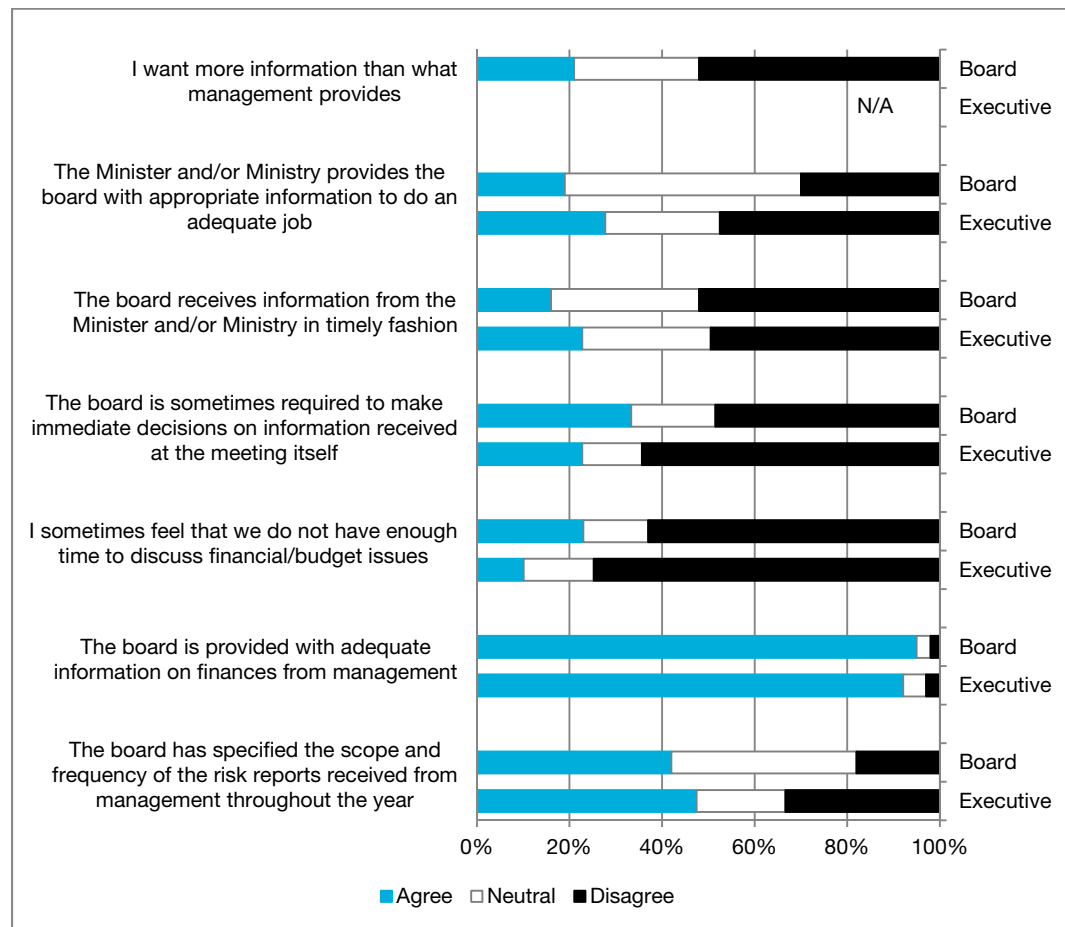
time, about one-third of board members and more than one-fifth of executives indicate that boards are sometimes required to make immediate decisions on information received at the meeting itself.

The majority of board members express satisfaction with the information they receive. When given a list of information-related attributes, a large majority of board members strongly agreed that the information they receive contains an appropriate level of detail and monitors performance and progress against plan.

The large majority of board members and executives indicate that their board is provided with adequate information on finances from management. However, close to one-quarter of board members sometimes feel they do not have enough time to discuss financial and/or budget issues.

Also, board members and executives generally had a positive view of their board’s risk management processes. However, less than one-half of board members and executives state that their board has specified the scope and frequency of risk reports to be received from management throughout the year.

**Figure 7—Information for Decision Making**





## 5.7 Education, Training, and Evaluations

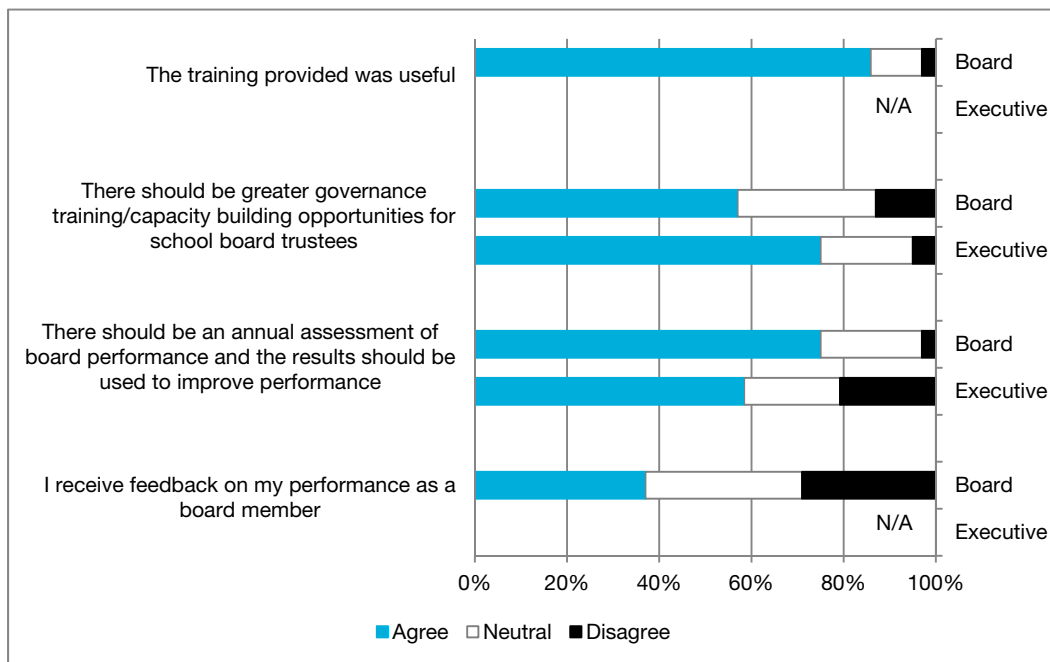
*The provision of education and training to board members is an invaluable way to increase the effectiveness of school boards. Education and training not only increase board member knowledge, but promote a common understanding of the goals and work of their organization and the sector.*

*Boards should conduct regular assessments of their performance and use these results to improve their performance. Individual board members should also receive feedback on their performance to enhance the overall functioning and capacity of the board to govern.*

The majority of board members report that they have attended governance training offered by the Ministry of Education or the Saskatchewan School Board Association; most of these board members found that training useful. The majority of board members and executives also say that there should be greater governance training/capacity building opportunities for school board trustees.

While three-quarters of board members are satisfied with their board's work in conducting and utilizing annual board performance assessments, fewer executives, although still a majority, are satisfied. As well, just over one-third of board members say that they receive feedback on their performance as a board member.

**Figure 8—Education, Training, and Evaluations**



## 5.8 Internal Relationships

Senior management is responsible for the day-to-day operations of the school division while boards are responsible for overseeing management's performance and for questions of governance. It is important that the two groups have a positive working relationship. Board members and executives must share a common view of the school division's priorities and clearly delineate their separate roles and authorities. Management must advise the board about issues or challenges facing the school division so that board members can make informed decisions. Board members, meanwhile, should focus on issues of governance and not become involved in day-to-day management decisions.

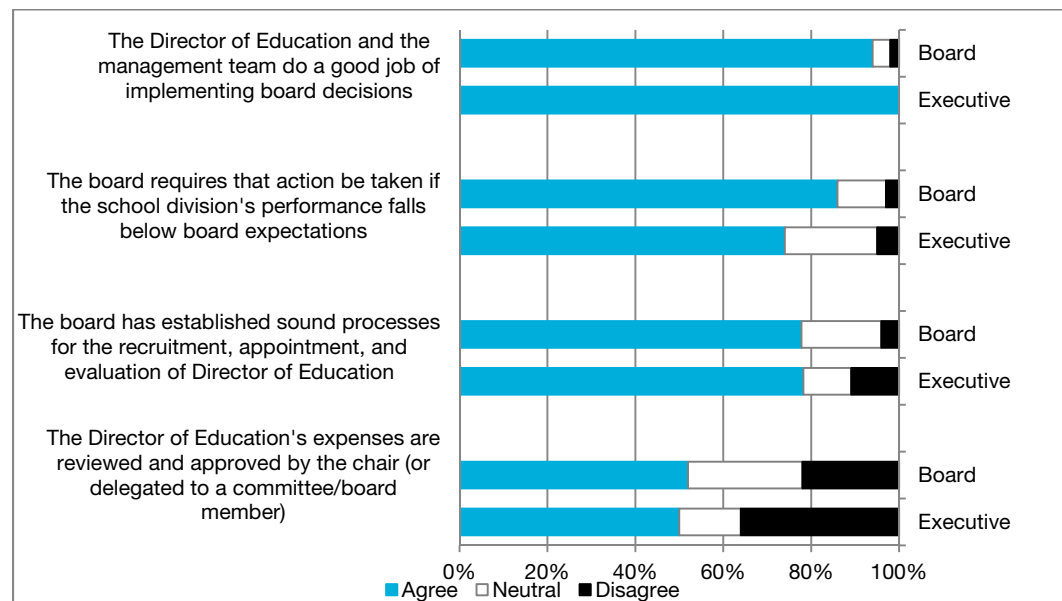
As part of their responsibilities, boards are also responsible for evaluating senior management, ensuring there is a succession plan in place for senior management, and establishing sound processes for the recruitment, appointment, and evaluation of the Director of Education. It is also important that boards establish clear, measurable expectations for their Director and conduct annual performance evaluations. Boards must also take or require that action be taken if the Director or school division is not meeting board expectations.

Board members and executives state that they have a very good relationship. For example, almost all board members and all executives agreed that the Director and management team do a good job of implementing board decisions.

Fewer executives than board members say that the board requires action if the school division's performance is below board expectations.

Most board members and executives are satisfied with their board's work in establishing sound processes for the recruitment, appointment, and evaluation of the Director of Education. However, only around one-half of board members and executives indicate that the Director of Education's expenses are reviewed and approved by the board Chairperson (or delegated to a committee or board member).

**Figure 9—Internal Relationships**





## 5.9 External Relationships

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*One role of local boards for school divisions is to help the Government identify and consider local educational needs in decisions about education. Without adequate consultation and communication with the public, the education system runs a greater risk of being unresponsive to needs.*

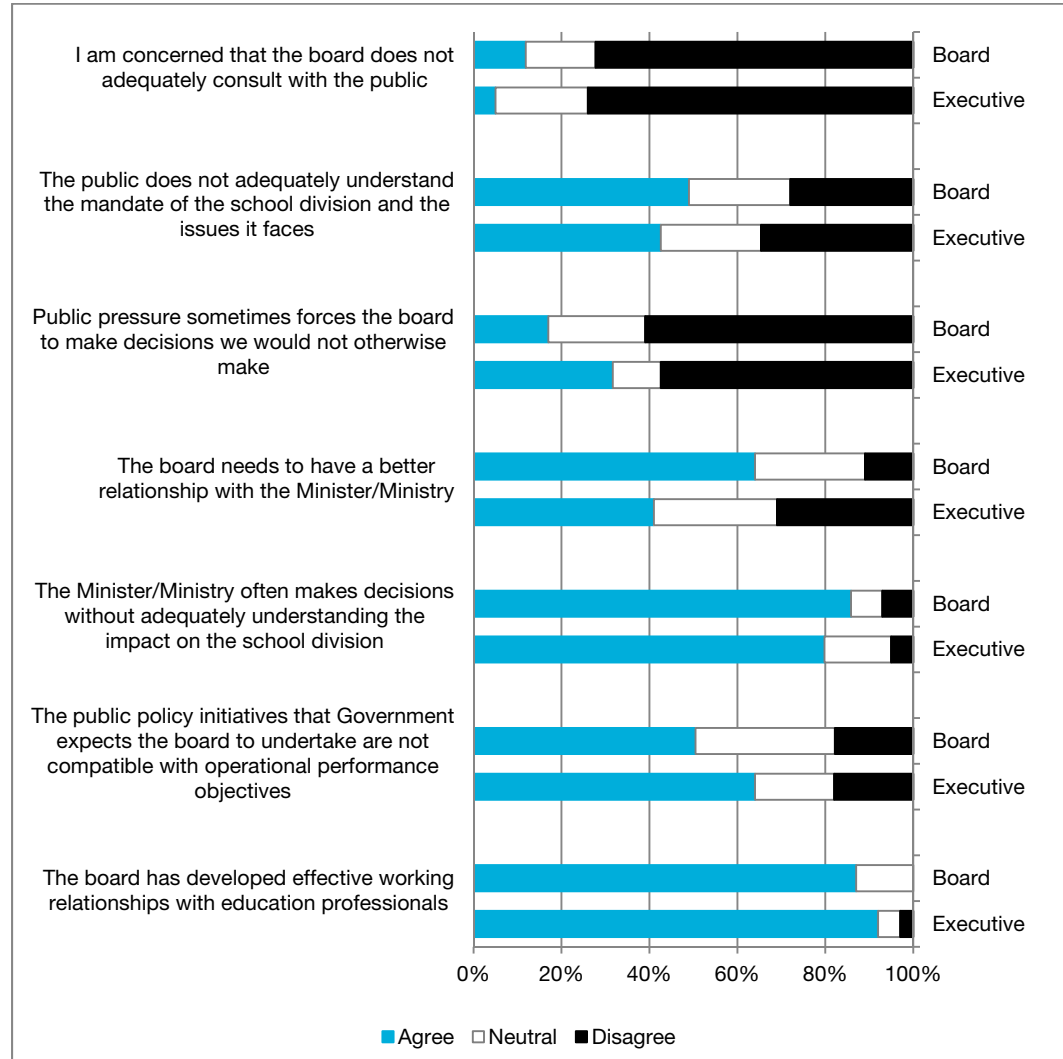
*As described earlier, boards of education are not only accountable to their electorates, but to the provincial government through the Ministry of Education. Effective governance of the education sector requires school divisions and the Ministry to work collaboratively. Also, to identify and manage changing needs and priorities, it is important for boards to work with other school divisions and education organizations to improve the effectiveness of education programs and delivery, and to reduce costs. Furthermore, school boards need effective working relationships with education professionals.*

Few board members and executives express concern that their board does not adequately consult with the public. However, a significant percentage of board members and executives indicate that the public does not adequately understand the mandate of the school division and the issues it faces. Just under one-fifth of board members and almost one-third of executives say that public pressure sometimes forces their board to make decisions it would not otherwise make.

A significant percentage of board members and executives state that their board needs to have a better relationship with the Minister and/or Ministry. Most board members and executives indicate that the Minister and/or Ministry often makes decisions without adequately understanding the impact on the school division. Over one-half of board members and executives say that public policy initiatives that the Government expects the board to undertake are not compatible with operational performance objectives.

The survey results show that school boards are generally of the view that they have good relationships within the education sector. For example, most board members and executives are satisfied with their board's efforts to develop an effective working relationship with education professionals.

Figure 10—External Relationships



## 6.0 SELECTED REFERENCES

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## Chapter 51

# Summary Financial Statements – Interprovincial Comparisons

### 1.0 MAIN POINTS

Financial statements are key accountability documents that many find complex and challenging to understand. Each year, the Government provides financial statement discussion and analysis (FSD&A) to help legislators and the public understand its Summary Financial Statements. Its FSD&A includes 10-year trends on five key financial indicators, but does not include interprovincial comparisons for these indicators.

This chapter presents interprovincial comparisons to provide legislators and the public with an understanding of how Saskatchewan's finances compare to other provinces. Our results show:

- › Saskatchewan's FSD&A is average.
- › Saskatchewan compared favorably to other provinces in its five key financial indicators. However, the current content of the Government's Summary Budget<sup>1</sup> limits its ability to provide meaningful comparisons of planned versus actual results.

### 2.0 INTRODUCTION

Our Office recognizes the value of governments providing legislators and the public with strong public reporting. Through strong public reports, governments can make their operations clear and understandable. Strong public reports help legislators and the public hold governments accountable. Providing robust and complete FSD&A along with audited summary financial statements enables a government to show its accountability. Also, use of FSD&A provides key information to enhance legislators' and the public's understanding of a government's finances. Inclusion of interprovincial comparisons of a government's financial performance offers insights into how well a government performs relative to others.

The Government of Saskatchewan is comprised of about 270 different agencies that it controls. Its Summary Financial Statements combine the financial results of all of those agencies. The financial results reflected in the Summary Financial Statements provide information on the Government's financial condition.

To provide insight into how Saskatchewan is positioned financially relative to other provinces, this chapter compares Saskatchewan against other provinces using five key indicators of financial condition. Also, this chapter looks at how the FSD&A contained in Saskatchewan's *2012-13 Public Accounts – Volume 1*<sup>2</sup> compares to that of other provinces.

<sup>1</sup> The Summary Budget includes the estimated annual surplus of the planned activities of all of the Government.

<sup>2</sup> Available at [www.finance.gov.sk.ca/paccts/paccts13/201213Volume1.pdf](http://www.finance.gov.sk.ca/paccts/paccts13/201213Volume1.pdf) p. 26-44 (24 October 2013).



## 3.0 KEY INDICATORS OF FINANCIAL CONDITION BY PROVINCE

### 3.1 Background

**A government's financial condition reflects its financial health. Information about a government's financial condition provides insight into a government's management of its financial affairs and its performance.**

The Public Sector Accounting Standards Board (PSAB) has suggested in its Statement of Recommended Practice (SORP-4) 12 financial indicators that can be used to assess and understand the financial condition of a government. It has grouped these indicators into the three categories of sustainability, flexibility, and vulnerability.

Our Office has selected the following five financial indicators that Saskatchewan has included within its FSD&A for its Summary Financial Statements. These indicators are commonly used by Canadian provincial governments in reporting on their financial condition. The following identifies each indicator along with its related SORP-4 category in brackets:

- › Net Debt as a Percentage of Provincial Gross Domestic Product (Sustainability)
- › Net Debt as a Percentage of Total Revenue (Sustainability)
- › Debt charges as a Percentage of Total Revenue (Flexibility)
- › Own-Source Revenue as a Percentage of Provincial Gross Domestic Product (Flexibility)
- › Transfers from the federal government as a Percentage of Total Revenue (Vulnerability)

### 3.2 Source of Interprovincial Comparisons of Indicators of Financial Condition

At mid-October 2013, audited summary financial statements for the year ended March 31, 2013 were available for seven out of ten provinces, and for all provinces for the year ended March 31, 2012. **Exhibit 5.1** sets out when each of these financial statements were made public. Information from these audited financial statements is used when making comparisons.

**Exhibit 5.2** explains, in more detail, the methodology used to collect and present the information along with the limitations of that information. The Glossary in **Section 6.0** explains key terms used in this chapter.

The following sections provide the meaning of each SORP-4 category and explain each indicator (in italics). For each indicator, we identify the three provinces with the most favorable ranking when using the 2013 financial statements available at mid-October. Also, for each indicator, we compare Saskatchewan's 2012 results against those of all other provinces.



## 3.3 Sustainability

Sustainability measures the ability of a government to meet its existing program commitments and creditor requirements without increasing its net debt.

### 3.3.1 Sustainability—Net Debt as a Percentage of Provincial Gross Domestic Product

*A government must manage its revenue-raising and spending practices in the context of its provincial economy. Looking at Gross Domestic Product (GDP) and debt provides insights into these practices. GDP is a measure of the value of the goods and services produced during a given year. GDP indicates the size of the provincial economy.*

***Net debt as a percentage of provincial GDP** measures the level of financial demands placed on the economy by a government's spending and revenue-raising practices. It provides a measure of how much debt a government can afford to carry. The larger the economy, the more debt a government can afford to carry.*

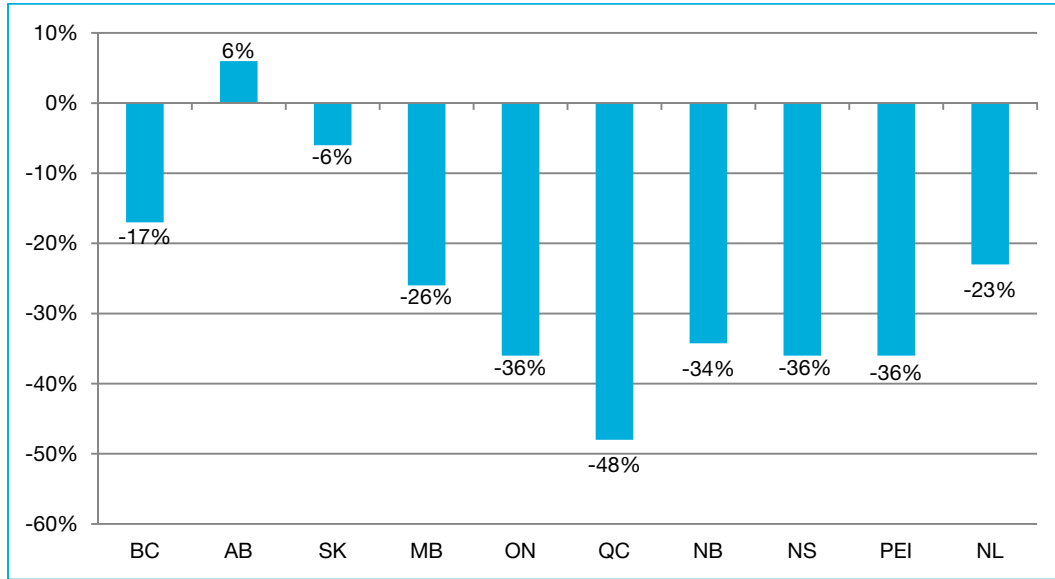
*Higher percentages mean that a government is placing a growing debt burden on taxpayers and it will need more future revenue to repay the debt. Higher percentages can adversely impact the interest rate at which a government can borrow (i.e., because of lower credit ratings)—lower or decreasing percentages are generally better.*

Based on the 2013 financial statements available at mid-October, the three western provinces (Alberta, Saskatchewan, and British Columbia) had the lowest net debt as a percentage of provincial GDP (net debt ratio). Alberta continues to be the only province without net debt; rather, it has net financial assets. At March 31, 2013, Alberta had a net financial asset ratio of 4% (2012 – 6%). Also, at March 31, 2013, Saskatchewan had a net debt ratio of 7% (2012 – 6%) that was almost 11% higher than Alberta's; BC had a net debt ratio of 17% (2012 – 17%) that was about 10% higher than Saskatchewan's.

As shown in **Figure 1**, at March 31, 2012, the three western provinces had the lowest net debt ratios. At March 31, 2012, Saskatchewan, with the second lowest ratio, placed fewer financial demands on its economy than most other provinces.



Figure 1 – Net Debt as Percentage of Provincial GDP at March 31, 2012 by Province



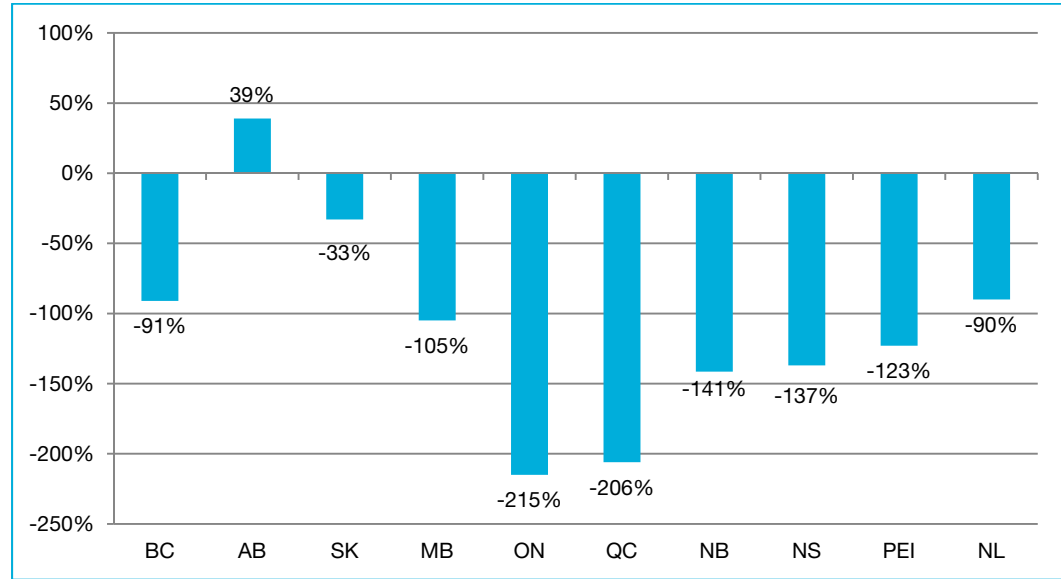
Source: Audited Summary Financial Statements (or equivalent) for the Year Ended March 31, 2012

### 3.3.2 Sustainability—Net Debt as a Percentage of Total Revenue

*Net debt as a percentage of total revenue provides a measure of future revenue that is required to pay for past transactions and events relative to the amount of tax burden that a government is placing on the economy through its raising of revenues. An increasing ratio indicates that it would take more time to eliminate net debt. A decreasing ratio indicates that a government is better able to maintain its existing financial obligations without increasing its debt or tax burden—a lower ratio or decreasing trend is generally better.*

Based on the 2013 financial statements available at mid-October, three western provinces (Alberta, Saskatchewan, and British Columbia) had the smallest net debt as a percentage of total revenue (net debt/revenue ratio). As noted in **Section 3.3.1**, Alberta has net financial assets. At March 31, 2013, Alberta had a net financial asset/revenue ratio of 29% (2012 – 39%); Saskatchewan had a net debt/revenue ratio of 36% (2012 – 33%); BC had a net debt/revenue ratio of 84% (2012 – 91%).

From 2012 to 2013, Saskatchewan’s net debt/revenue ratio has increased slightly. As **Figure 2** shows, at March 31, 2012, Saskatchewan, with the second lowest ratio, was closer than most other provinces to being able to eliminate its net debt.

**Figure 2—Net Debt as Percentage of Total Revenue at March 31, 2012 by Province**

Source: Audited Summary Financial Statements (or equivalent) for the Year Ended March 31, 2012

## 3.4 Flexibility

Flexibility measures the degree to which a government can increase financial resources to respond to rising commitments either by expanding its revenue or by increasing its net debt.

### 3.4.1 Flexibility—Debt Charges as a Percentage of Total Revenue

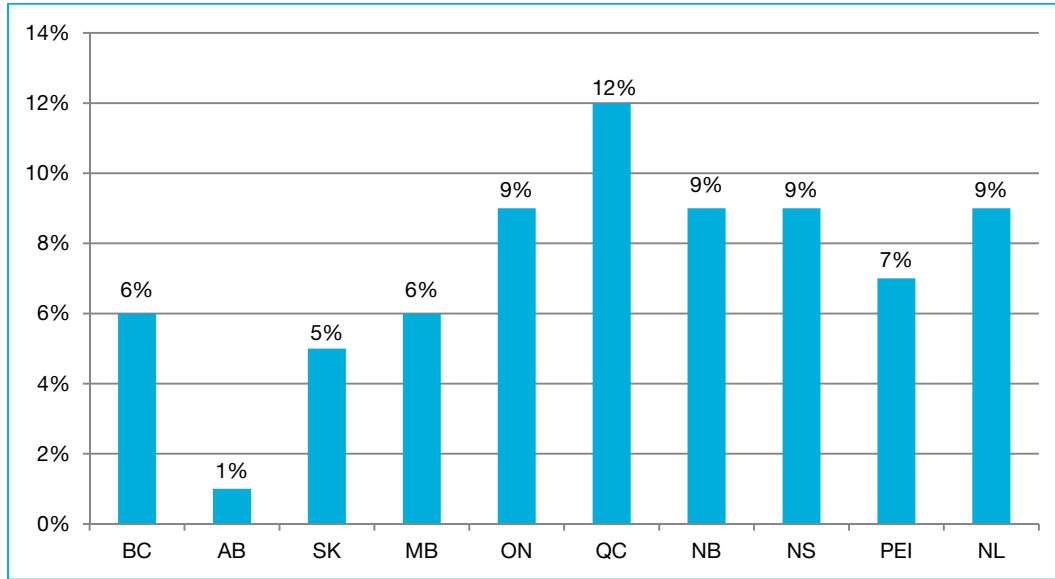
The amount of **debt charges (interest costs) as a percentage of total revenue** (sometimes called the “interest bite”) shows the extent to which a government must use revenue to pay for interest costs rather than pay for services. The more money a government pays for interest costs, the less money it has to pay for services. A lower ratio or decreasing trend is generally better.

Based on the 2013 financial statements available at mid-October, three western provinces (Alberta, Saskatchewan, and British Columbia) had the lowest interest bite. At March 31, 2013, given its low debt levels, Alberta had an interest bite of 1% (2012 – 1%); Saskatchewan had an interest bite of 4% (2012 – 5%); BC had an interest bite of 5% (2012 – 6%).

As reflected in **Figure 3**, four western provinces had the lowest interest bite as of March 31, 2012. From 2012 to 2013, Saskatchewan’s interest bite decreased slightly. As **Figure 3** shows, at March 31, 2012, Saskatchewan, with the second lowest interest bite, had more of its revenue available to provide government services than most other provinces.



**Figure 3—Debt Charges as Percentage of Total Revenue at March 31, 2012 by Province**



Source: Audited Summary Financial Statements (or equivalent) for the Year Ended March 31, 2012

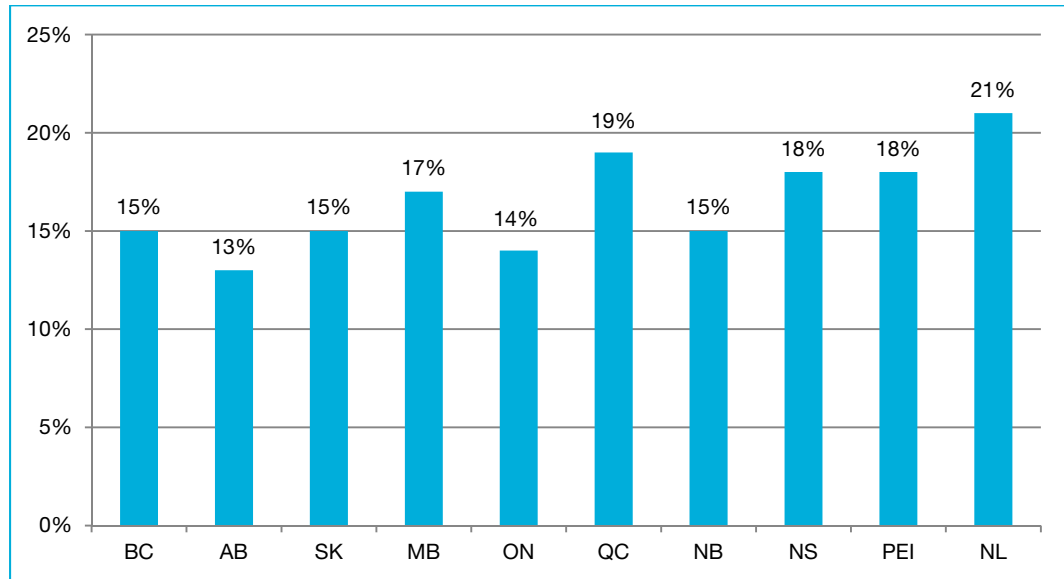
### 3.4.2 Flexibility—Own-Source Revenue as a Percentage of Provincial Gross Domestic Product

*A government's **own-source revenue as a percentage of provincial GDP** shows how much revenue a government raises through taxation and user fees from the provincial economy. High percentages or increases in percentages mean a government is placing higher demands on its provincial economy—its demands are outpacing growth in the economy. This can make future increases in taxes or user fees difficult. Lower or decreasing percentages are generally better.*

Based on the 2013 financial statements available at mid-October, Saskatchewan reported the fourth lowest own-source revenue as a percentage of provincial GDP (own-source revenue ratio). At March 31, 2013, Alberta had an own-source revenue ratio of 13% (2012 – 13%); Ontario had an own-source ratio of 14% (2012 – 14%); New Brunswick had an own-source revenue ratio of 15% (2012 – 15%); Saskatchewan had an own-source revenue ratio of 16% (2012 – 15%).

From 2012 to 2013, Saskatchewan's ratio increased slightly. As shown in **Figure 4**, at March 31, 2012, Saskatchewan was tied for third place with British Columbia and New Brunswick. Saskatchewan has placed a similar demand on its economy as several other provinces.

**Figure 4—Own-source Revenue as Percentage of Provincial GDP at March 31, 2012 by Province**



Source: Audited Summary Financial Statements (or equivalent) for the year ended March 31, 2012

## 3.5 Vulnerability

**Vulnerability is the degree to which a government is dependent upon, and thus vulnerable to, sources of revenue outside of its control or influence, or is exposed to risks that could impair its ability to meet its existing obligations. This indicator measures the extent to which a government can manage its financial affairs without having to rely on others.**

### 3.5.1 Vulnerability—Transfers from the Federal Government as a Percentage of Total Revenue

***Transfers from the federal government as a percentage of total revenue*** shows the extent to which a government is dependent on money from the federal government to operate. A decreasing ratio indicates that a government is becoming less dependent on federal money to operate.

*Transfers from the federal government are a significant source of revenue for provincial governments, including Saskatchewan. Provincial governments do not control the amount of federal transfers they get each year.<sup>3</sup> Provincial governments can be at risk if they place too much reliance on this source of revenue to pay for their services. Governments typically find it difficult to reduce or eliminate established services. Unexpected reductions in federal government transfers could impair a provincial government's ability to deliver its services. Significant shifts in federal transfers make it more challenging for a government to make long-term decisions about service delivery. Lower or decreasing rates is generally better with respect to vulnerability.*

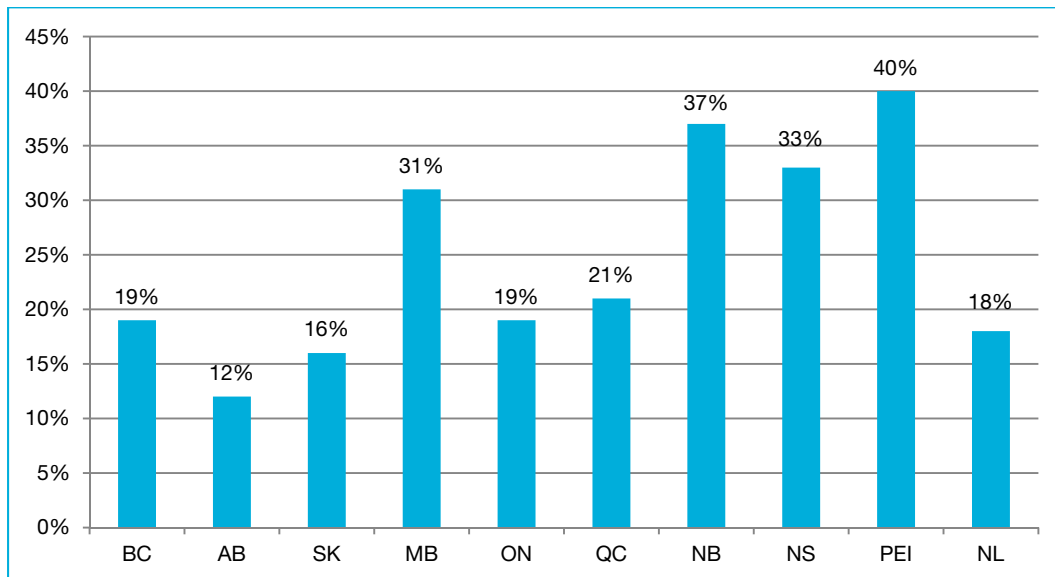
<sup>3</sup> For example, the federal government calculates the amount of equalization transfers by comparing the ability of provincial governments to raise revenue. Its calculation takes into account the performance of provincial economies relative to each other. The size of the provincial economy in any given year relative to other provinces significantly affects the annual amount of the equalization transfer.



Based on the 2013 financial statements available at mid-October, Alberta, Saskatchewan, and Ontario had the lowest federal government transfers as a percentage of total revenue (federal transfer ratio). At March 31, 2013, Alberta had a federal transfer ratio of 12% (2012 – 12%); Saskatchewan had a federal transfer ratio of 16% (2012 – 16%); Ontario had a federal transfer ratio of 19% (2012 – 19%).

Saskatchewan's 2013 federal transfer ratio was virtually unchanged from 2012. As **Figure 5** shows, at March 31, 2012, Saskatchewan, with the second lowest ratio, was less reliant on federal transfers to pay for its programs and services than most other provinces.

**Figure 5—Federal Government Transfers as Percentage of Total Revenue at March 31, 2012 by Province**



Source: Audited Summary Financial Statements (or equivalent) for the Year Ended March 31, 2012

## 3.6 Summary

Saskatchewan's overall financial condition was more favorable than most other provinces.

Given Saskatchewan's commodity-based economy and the impact changes in commodity and non-renewable resource prices can have on government revenues, a prudent approach to managing the Government's finances continues to be warranted.

## 4.0 SASKATCHEWAN'S FINANCIAL STATEMENT DISCUSSION AND ANALYSIS AS COMPARED TO OTHER PROVINCES

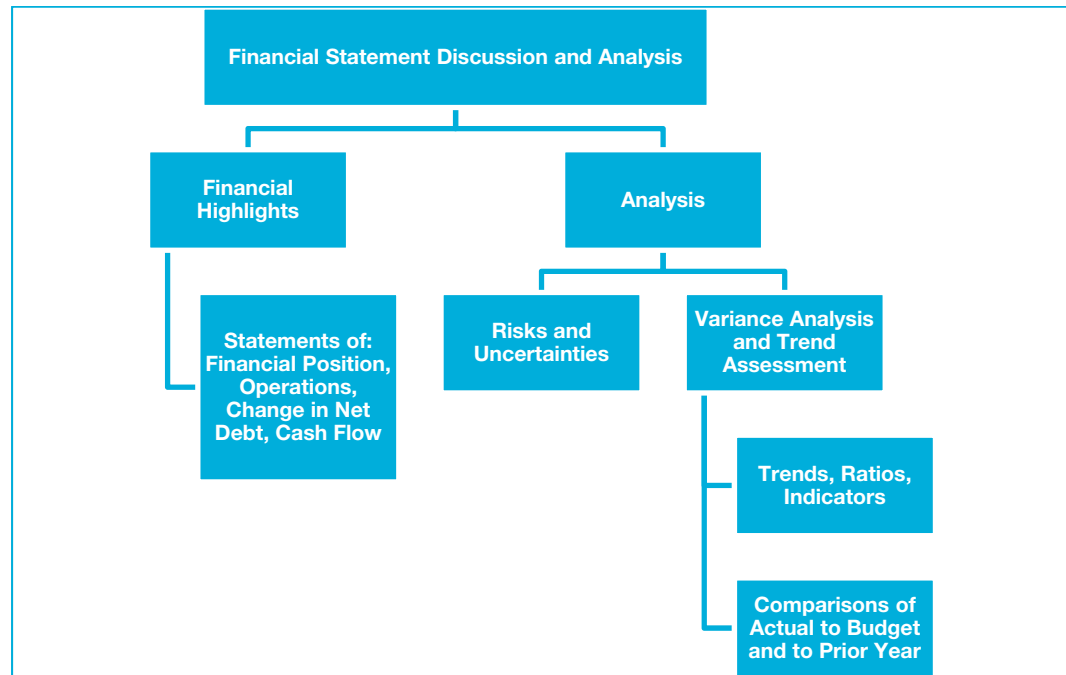
### 4.1 Background—FSD&A Framework

The main objective of financial statement discussion and analysis (FSD&A) is to clearly explain and highlight key financial information so as to enhance readers' understanding

of a government's financial performance. It is also a way for a government to show its accountability for public money.

Since 2007-08, Saskatchewan has provided FSD&A for the Summary Financial Statements in *Public Accounts – Volume 1*. The Public Sector Accounting Board has developed a framework for reporting FSD&A (SORP-1) (see **Figure 6**). The Board encourages governments to use this framework when preparing their FSD&A.

**Figure 6—FSD&A Reporting Framework**



Source: Statement of Recommended Practice 1 – Financial Statement Discussion and Analysis

The following sections compare Saskatchewan's FSD&A for its Summary Financial Statements included in *Public Accounts – Volume 1 2012-13* to the FSD&A included in the most recent *Public Accounts – Volume 1* of other provinces. See **Exhibit 5.1** for details of which reports were available at October 2013.

To make the comparisons, this chapter uses each component of the FSD&A framework set out in **Figure 6**. It describes the component (in italics) and highlights key similarities and differences between Saskatchewan's practices to those of other provinces.

## 4.2 Financial Highlights

*Per SORP-1, the purpose of the financial highlights is not simply to reiterate the information presented in the financial statements, but to add value by providing an overview of the statements and significant activities that affected them. This could include a concise description of significant events or conditions and major changes that occurred in the year (planned or unplanned).*

Similar to other provinces, Saskatchewan uses the differences between current-year and prior-year actual results for key items on its statements of financial position and operations, and the differences between its actual and planned current-year annual



surplus to highlight areas with differences. For differences it viewed as significant, it described key events or factors that caused the differences. For example, in 2012-13, it explained why its current-year income from government business enterprises increased from the prior year. Some provinces such as Manitoba and British Columbia also used economic information (such as changes to gross domestic product, unemployment rate) to provide further insight into changes in their province's finances from the prior year or from what was planned.

Like most other provinces, Saskatchewan does not explain changes in current-year actual net debt as compared to prior years and budget, or provide highlights about cash flows (e.g., key reasons for changes in investing or financing activities from prior years or budget). SORP-1 encourages providing highlights in these areas.

### **4.3 Analysis—Risks and Uncertainties**

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*Per SORP-1, it is important that the legislators and the public understand a government's exposure to risks and uncertainties to make informed judgements about the implications of such risks on a government's current and future finances. FSD&A describes risks that are likely to occur and that may have significant financial implications. Descriptions of risks include a government's assessments of their potential impact and strategies it is using to manage them.*

The level and extent of detail that provinces provided on risks and uncertainties varied significantly. Some provinces (e.g., Manitoba, Quebec, Saskatchewan) had a separate page on risks and uncertainties. Others highlighted risks in conjunction with discussions of variances or economic factors (e.g., Nova Scotia). Typically, information on the impact of the identified risks was brief or minimal. Many provinces (British Columbia, Quebec, Ontario, Saskatchewan) provided key strategies to reduce exposure to identified risks. One province (Nova Scotia) also referred readers to the detailed descriptions of financial risks included in the notes to its summary financial statements.

Saskatchewan's listing of risks and uncertainties aligns with the areas of financial uncertainty disclosed in the notes to its Summary Financial Statements. We note that the notes to its financial statements refer to the additional significant risk of final corporate and individual income tax assessments differing from initial estimates on which revenue is based. The Government needs to make sure its listing of risks and uncertainties within the FSD&A is consistent with the measurement uncertainties it has identified within its financial statements as these uncertainties have been assessed as having a potentially material impact on the financial statements.

### **4.4 Variance Analysis and Trend Assessment**

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*Per SORP-1, analysis of variances and trends helps legislators and the public understand the financial data included in the financial statements and accompanying notes. Assessments of trends in financial indicators and significant financial statement items help the public and legislators understand the financial condition of the government. Also, analysis explains key differences between current-year actual results and the budget, as well as between current-year and prior-year actual results.*



### 4.4.1 Trends on Key Financial Indicators

Saskatchewan, consistent with all provinces other than Alberta,<sup>4</sup> included trends on key financial indicators in its FSD&A. Saskatchewan provided 10-year trend information on the five financial indicators set out in **Section 3.1**. The number of financial indicators that other provinces included within their FSD&A ranged from three (Prince Edward Island) to 14 (Manitoba), with the average number of indicators being seven. The time span of trends of financial indicators varied from three years (Ontario) to 10 years (New Brunswick, and Quebec), with most provinces providing trends of five years.

Only British Columbia provided interprovincial comparisons of financial indicators in its FSD&A. It compared British Columbia's 2013 results to the 2012 results of other provinces for two debt-related financial indicators.

### 4.4.2 Variance Analysis of Key Financial Statement Items

Most provinces, including Saskatchewan, provided both variances and reasons for significant changes between current and prior-year actual results for key financial statement items from their statements of operations and financial position. Many provinces provided additional comparisons (e.g., revenue by source, expense by theme, expense by function). Saskatchewan does not.

Almost all other provinces provide variances and reasons for significant changes between current-year actual and budgeted results for key items from their statements of operations and financial position. Because of the limited detail in its Summary Budget, Saskatchewan lacks comparisons between actual and budgeted results for key financial statement items. Saskatchewan is limited to comparing current-year actual annual surplus to budgeted annual surplus overall, and by key sectors within the Government (e.g., General Revenue Fund, Treasury Board Organizations, CIC Board Organizations).

### 4.4.3 Trends for Key Financial Statement Items

All provinces, including Saskatchewan, provide trends of actual results for key financial statement items (e.g., revenue by source, expense by type, changes in net book value of tangible capital assets). As with the financial indicators, the time span of trends of key financial statement items varied from three years (Ontario) to ten years (New Brunswick, and Quebec), with most provinces providing trends of five years. Saskatchewan provides five-year trends for some financial statement items (e.g., expense by theme) and 10-year trends for others (e.g., annual surplus [deficit]).

The extent of assessment of trends varied significantly by province. Most often, provinces provided sufficient detail to assist readers in understanding the largest changes evident from the trend data provided. For some financial statement items, Saskatchewan provided limited assessments of trends even though variances existed (e.g., education expense).

<sup>4</sup> The Government of Alberta published a report, *Highlights of the Alberta Economy 2013* that includes an interprovincial comparison of one SORP-4 indicator (Net Debt as a percentage of Provincial GDP for 2011-12). This report is published three times per year, most recently in June 2013.



## 4.5 Summary

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Overall, the content of Saskatchewan's FSD&A is average in terms of extent of information and level of detail when compared to other provinces. The current content of its Summary Budget severely limits Saskatchewan's ability to provide meaningful comparisons of planned and actual results. This makes it challenging for legislators and the public to assess whether the Government carried out its activities as planned and achieved what it expected to achieve.

In our April 2013 *Special Report – The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*, we recommended that the Government provide information on planned revenues and expenses in its Summary Budget using the same accounting policies and format as used for the Summary Financial Statements. Providing a Summary Budget with this level of detail would enable Saskatchewan to provide the public with comparisons of planned results to actual results similar to what is provided in almost all other provinces.

Interprovincial comparisons are informative. As evident from **Exhibit 5.1**, providing interprovincial comparisons of the current-year results within the FSD&A is not feasible for provinces who publish their financial statements before most other provinces. When Saskatchewan publishes its *Public Accounts – Volume 1* each year, the summary financial statements of other provinces are not yet available because Saskatchewan is typically one of the first provinces to release its audited Summary Financial Statements. As such, it is not feasible for Saskatchewan to include current year interprovincial comparisons of key financial data in FSD&A. However, providing current-year interprovincial comparisons in later publications is feasible.

We note that from time to time, Saskatchewan has included some interprovincial comparisons in some of its publications. For example, the *Saskatchewan Plan for Growth – Vision 2020 and Beyond* issued in October 2012 includes a few interprovincial comparisons (e.g., real gross domestic product, employment, debt-to-gross domestic product).<sup>5</sup> To date, these interprovincial comparisons have not included the five key financial indicators used in its FSD&A. We encourage the Government to consider publishing interprovincial comparisons on those five financial indicators.

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<sup>5</sup> Government of Saskatchewan, *Saskatchewan Plan for Growth – Vision 2020 and Beyond*, p. 10, 11, 13, and 26.

## 5.0 EXHIBITS

### Exhibit 5.1 – Publishing Dates of Public Accounts – Volume 1 (Summary Financial Statements) by Province

Province	Publishing Date 2012-13	Publishing Date 2011-12
Saskatchewan	June 28, 2013	June 26, 2012
British Columbia	July 23, 2013	July 25, 2012
Alberta	June 27, 2013	June 28, 2012
Manitoba	September 9, 2013	October 26, 2012
Ontario	September 10, 2013	October 13, 2012
Quebec	Not available at mid October 2013	November 20, 2012
New Brunswick	October 16, 2013	August 14, 2012
Nova Scotia	July 31, 2013	August 2, 2012
Prince Edward Island	Not available at mid October 2013	January 4, 2013
Newfoundland and Labrador	Not available at mid October 2013	August 15, 2012

Source: Related provincial government website

### Exhibit 5.2 – Methodology and Data Limitations

#### Methodology used

This chapter uses financial indicators published by The Canadian Institute of Chartered Accountants (CICA) to assess the finances of governments (*SORP-4 Statement of Recommended Practice – Indicators of Financial Condition*). Financial indicators, expressed as ratios or trends, provide a picture of what has occurred over a period of years and facilitate comparisons. SORP-4 groups indicators into three categories that measure a government's financial health in the context of its overall economic and financial environment. The indicators measure:

- › Whether a government is living within its means (sustainability)
- › How well a government can respond to rising commitments by either expanding its revenue or increasing its net debt (flexibility)
- › How much a government relies on revenue sources beyond its direct control or influence, such as money from the federal government (vulnerability)

#### Source of data and its limitations

The financial indicators in this chapter use key financial information from provincial governments' audited summary financial statements. Economic information (gross domestic product) is based on the most recent "by province" information. It was obtained from Statistics Canada. Comparative data presented is not adjusted for inflation.

For the following reasons, data from other provinces is not fully comparable:

- › In some cases, other provincial governments record their financial activities different from Saskatchewan. Where audited public information is available, we have adjusted the financial information of those provinces to conform to Saskatchewan's method. However, audited information is not always publicly available.
- › How a provincial government organizes itself can affect what financial activities are included within its summary financial statements. For example, some provinces include the financial activities of universities in their summary financial statements, whereas Saskatchewan does not. It is not feasible or appropriate for us to adjust data for these types of differences.
- › On occasion, the financial information of other provinces may not be reliable. Where audited information identifies the impact of the errors, we have adjusted the financial information.
- › It is not feasible to adjust data for differences in the characteristics of provincial economies. For example, own-source revenue for some provincial governments (such as Alberta and Saskatchewan) includes significant revenue from non-renewable resources such as oil and gas.

\* Statement of Recommended Practice 4 – Indicators of Financial Condition, CICA, 2009



## 6.0 GLOSSARY

**Annual surplus (deficit)** – the amount by which total revenue for the reporting period exceeds total expenses for the reporting period or conversely, total expenses for the reporting period exceed total revenues for the reporting period.

**Financial asset** – an asset that can be used to discharge existing liabilities or finance future operations and is not for consumption in the normal course of operations. Examples of financial assets include investments in government business enterprises, marketable securities, and inventories for resale.

**Financial condition** – describes an organization's financial health in the context of the overall economic and financial environment.

**Financial liability** – any liability that is a contractual obligation to deliver a financial asset to another party, or to exchange financial instruments with another party under conditions that are potentially unfavourable to the entity.

**General Revenue Fund** – a special purpose fund or accounting entity in which all public money is deposited or disbursed unless otherwise authorized through legislation. This normally includes all revenues raised by the Government (i.e., primarily revenues from taxes, non-renewable resources, and transfers from the federal government) except those directed elsewhere in legislation. It includes planned spending for all Ministries plus the Assembly and its Officers. Also referred to in certain provinces as a Consolidated Revenue Fund or Core Government.

**Government business enterprise** – a self-sufficient government organization that has the financial and operating authority to sell goods and services to individuals and organizations outside the government reporting entity as its principal activity. Government business enterprises are recorded in the Summary Financial Statements using the modified equity method. Examples include SaskPower, SaskEnergy, SaskTel, and the Liquor and Gaming Authority.

**Gross domestic product (GDP)** – is a measure of the value of the goods and services produced in a jurisdiction in one year.

**Interest bite** – measures interest costs as a percentage of revenue and is an indicator of the state of a government's finances. The indicator shows the extent to which a government must use revenue to pay interest costs rather than to pay for programs and services.

**Liabilities** – are amounts owed. Liabilities include bonds and debentures, unfunded pension liabilities/obligations, and a variety of other payables and claims.

**Net financial assets** – is when total financial assets exceed total liabilities.

**Net debt** – a measure of a government's financial position that is calculated as the difference between financial assets and liabilities. Net debt provides a measure of the future revenues required to pay for past transactions and events.

**Non-financial assets** – are assets not readily convertible to cash. Examples include tangible capital assets, inventories for consumption, and prepaid expenses.

**Own-source revenue** – is the revenue raised by a provincial government from sources within the province and, thus, excludes federal government transfers.

**Ratio** – a comparison between two numbers. For example, the ratio of net debt per capita is the amount of net debt divided by the population. Any fraction, quotient, proportion, or percentage is a ratio.

**Summary Financial Statements** – a report of the financial results of all organizations that a government uses to provide goods and services to the public. Summary Financial Statements combine the financial activity of all government organizations including ministries, Crown corporations, agencies, boards, and commissions, etc. Some provinces refer to their Summary Financial Statements as Consolidated Financial Statements.

**Tangible capital assets** – identifiable long-term assets that are acquired, constructed or developed, and held for use rather than for sale. Examples include land, highways, buildings, automobiles, computer hardware and software, but exclude inventories, Crown land, and capital assets held by government business enterprises. Tangible capital assets are a key component in the delivery of government services and provide ongoing value to the public.

## 7.0 SELECTED REFERENCES

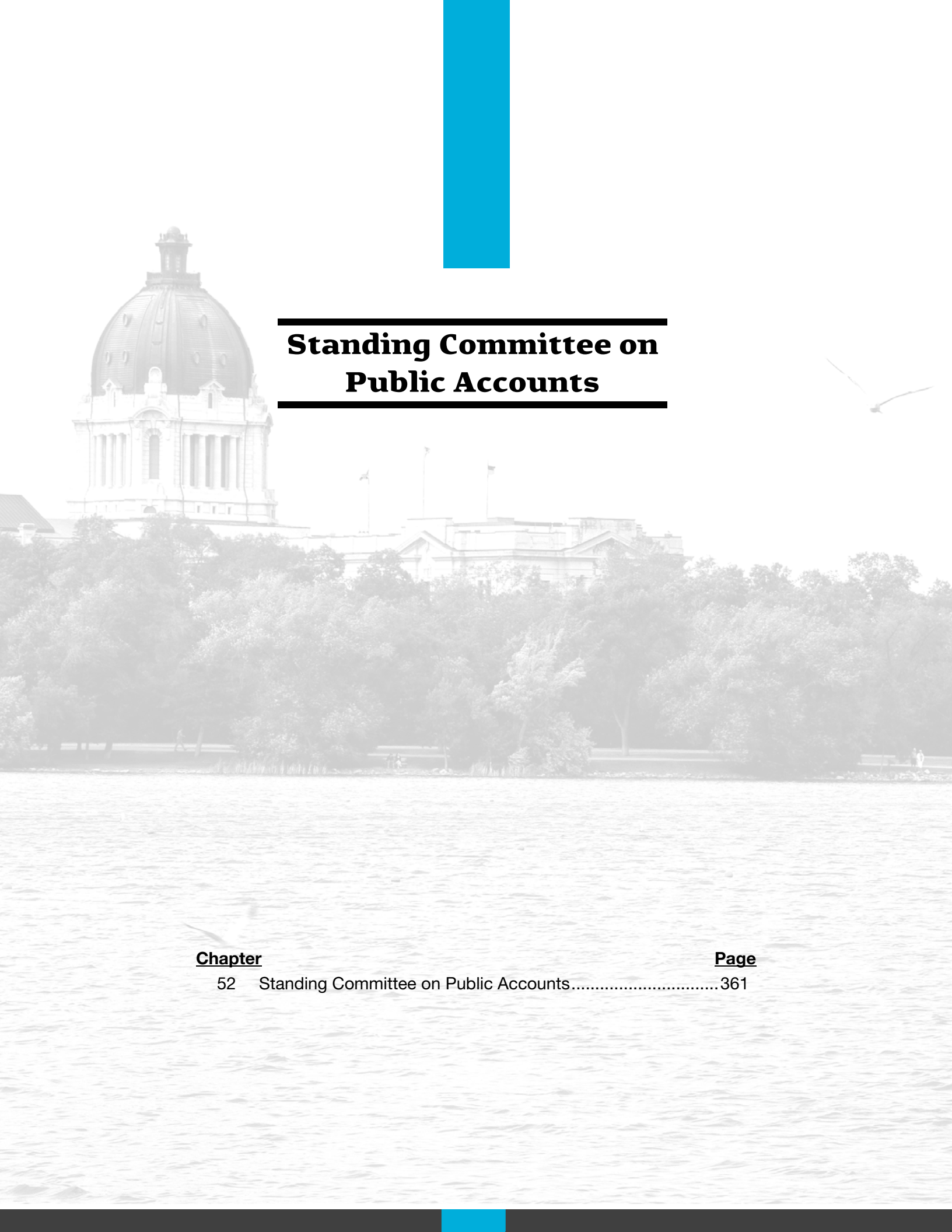
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# **Standing Committee on Public Accounts**

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## Chapter 52

# Standing Committee on Public Accounts

### 1.0 MAIN POINTS

The work of the Standing Committee on Public Accounts (Committee) is crucial for a well-managed parliamentary system of government. It provides a vital link in the chain of accountability over public resources and contributes to the public's confidence in our system of government.

The Committee's discussions and recommendations to the Legislative Assembly (Assembly) promote a more open and accountable government and better management of government operations. By questioning, requesting information, and making recommendations in its reports to the Assembly, the Committee acts as an agent of change for the management practices of government. This is evident, in part, through the high extent of implementation of the Committee's recommendations. The Committee's reports during the previous five years contained 539 recommendations. The Government has fully implemented 78% of the Committee's recommendations. Of the recommendations that are not yet fully implemented, 81% are partially implemented.

### 2.0 INTRODUCTION

This chapter provides an overview of the composition, role, and responsibilities of the Committee. It briefly describes what the Committee does, how it works, and how it reports to the Assembly.

It also sets out the extent to which the Government has implemented the Committee's past recommendations and the status of the Committee's review of our Reports.

### 3.0 OVERVIEW OF COMMITTEE'S ROLE AND RESPONSIBILITIES

#### 3.1 Committee Composition

On March 4, 2013, *The Rules and Procedures of the Legislative Assembly of Saskatchewan*<sup>1</sup> changed to expand the Committee from seven members and a membership based on the ratio of party standings in the Assembly to eight members, including two members of the opposition for the duration of the 27<sup>th</sup> Legislature. At the beginning of each Legislature, the Assembly appoints members to the Committee. The Chair of the Committee is a member of the Opposition and the Deputy Chair is a member of the Government. See **Exhibit 6.1** for the composition of the Committee.

<sup>1</sup> [www.legassembly.sk.ca/about/rules-and-procedures](http://www.legassembly.sk.ca/about/rules-and-procedures) (22 October 2013)





## 3.2 Responsibilities Include Review of Public Accounts and Our Reports

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The Committee is key to helping the Assembly hold the Government accountable for its management of public resources. *The Rules and Procedures of the Legislative Assembly of Saskatchewan* requires the Committee to review and report to the Assembly on the results of its review of the Public Accounts and of the Reports of the Provincial Auditor. The Assembly refers the Public Accounts and the Reports of our Office to the Committee.<sup>2</sup> The following provides a brief description of each.

- ▶ The Public Accounts consist of two reports. The first report contains the Summary Financial Statements of the Government, the financial statements of the General Revenue Fund (GRF), a Financial Statement Discussion and Analysis section, and other financial information. The second report contains details on revenues and expenditures of certain agencies that receive money from the GRF, details on capital asset acquisitions of those agencies, a listing of suppliers who received \$50,000 or more for goods and services supplied to the GRF, key financial information of some pension plans and trust funds administered by the Government, a listing of taxes and fees, and information on road-use fuel tax accountability.<sup>3</sup>
- ▶ The Reports of the Provincial Auditor contain the results of our examinations of the Government and its various agencies. The Committee has asked us to monitor compliance with its recommendations and to report on their status. Chapters within our Reports provide an update on the status of the Committee's recommendations. Also, each year, our Office provides our business and financial plan and an annual report on operations.

Because of its role to scrutinize the Government's management of public resources and to review our Reports, we view this Committee as the audit committee for the Assembly and thus, for the public.

The Committee's meetings are televised and open to the public. In its deliberations, the Committee is not fundamentally concerned with matters of policy; rather, it questions the economy and effectiveness of the administration of government programs. The Committee reviews the activities, performance, and reports of government ministries, agencies, and certain Crown corporations. During its review, the Committee may inquire about past performance, current concerns, and future objectives. The Committee's discussions include broader issues such as strategic plans, key risks to achieving goals and objectives, and performance measurement.

Government officials attend the Committee meetings to answer questions about the administration of their agencies. Our Office attends the meetings to help the Committee in its reviews. The Committee discusses and recommends actions on issues that Committee members and our Office raise.

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<sup>2</sup> Certain chapters within our Reports are referred to the Standing Committee on Crown and Central Agencies.

<sup>3</sup> [www.finance.gov.sk.ca](http://www.finance.gov.sk.ca) (22 October 2013).

### 3.3 Reports of the Committee

The Committee formally reports its findings and recommendations to the Assembly in written reports. Typically, it does this at the end of each legislative session. Its reports, once tabled in the Assembly, are made available to the public on the Assembly's website.<sup>4</sup> It requires the Government to respond in writing to its reports. The Government's response is also made public on the Assembly's website.

Information about the composition of the Committee as well as records of the Committee's meetings (i.e., Hansard verbatims, minutes, videos, and reports) are available to the public on the Committee's website: [www.legassembly.sk.ca/legislative-business/](http://www.legassembly.sk.ca/legislative-business/).

The Committee presented its most recent report called the *Third Report to the 26<sup>th</sup> Legislature* (4<sup>th</sup> Session of the 26<sup>th</sup> Legislature) on September 6, 2011.<sup>5</sup> The Third Report contains over 230 recommendations. It was moved by the Deputy Chair of the Committee and agreed to by the Legislative Assembly "that the draft Third Report of the Standing Committee on Public Accounts be adopted and that the final report be approved by the Steering Committee and filed with the Clerk pursuant to Rule 135(6)." The Government responded to this report on December 20, 2011.<sup>6</sup>

The Committee's previous reports were the First and Second Reports to the 26<sup>th</sup> Legislature. They were presented to the Assembly on March 25, 2009 and March 7, 2011,<sup>7</sup> respectively. The Committee's reports during the previous five years contained 539 recommendations.

## 4.0 IMPLEMENTATION OF COMMITTEE'S RECOMMENDATIONS

Consistent with prior years, the implementation of the Committee's recommendations by the Government and its agencies remains strong. As of October 2013, the Government has fully implemented 78% (October 2012–72%) of the Committee's recommendations. The Government has partially implemented 81% (October 2012–70%) of the remaining recommendations.<sup>8</sup>

In **Exhibit 6.2**, we set out the status of the Committee's outstanding recommendations that are not discussed elsewhere in this report. The remaining outstanding recommendations are included in the relevant chapters throughout our Report. Reviewing these outstanding recommendations provides the Committee with an opportunity to ask Government officials how they are progressing towards meeting the Committee's expectations.

<sup>4</sup> [www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/) (22 October 2013).

<sup>5</sup> The Committee's *Third Report to the 26<sup>th</sup> Legislature* and the Government Response can be found at [www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/](http://www.legassembly.sk.ca/legislative-business/legislative-committees/public-accounts/) (22 October 2013).

<sup>6</sup> Ibid.

<sup>7</sup> The Second Report summarizes the process undertaken for the Provincial Auditor Competition.

<sup>8</sup> Calculations are based on the Committee's recommendations up to and including the *Third Report to the 26<sup>th</sup> Legislature* at September 6, 2011.



## 5.0 STATUS OF COMMITTEE'S REVIEW OF OUR REPORTS

Since the fall of 2012, three of our Reports which include the results of our examinations of the Government and its agencies have been referred to the Committee for its review.

Since that time, the Committee has met five times – at two of its meetings it reviewed our Reports. Its review included chapters from our *2011 Report (Volumes 1 and 2)*, *2012 Report (Volumes 1 and 2)*, and our *Business and Financial Plan for the Year Ended March 31, 2014*.

As of October 2013, the Committee has not completed its review of all chapters in our following Reports:

- › *2010 Report – Volume 2* (1 out of 23 chapters outstanding)
- › *2011 Report – Volume 1* (1 out of 15 chapters outstanding)
- › *2011 Report – Volume 2* (9 out of 25 chapters outstanding)
- › *2012 Report – Volume 1* (14 out of 18 chapters outstanding)
- › *2012 Report – Volume 2* (50 out of 55 chapters outstanding)
- › *2013 Report – Volume 1* (all 27 chapters outstanding)
- › *Special Report 2013 of the Provincial Auditor: The Need to Change – Modernizing Government Budgeting and Financial Reporting in Saskatchewan*

## 6.0 EXHIBITS

### 6.1 Composition of the Standing Committee on Public Accounts

As of August 2013, the members of the Committee were:

- › Warren McCall, MLA, New Democratic Party, Chair
- › Scott Moe, MLA, Saskatchewan Party, Deputy Chair
- › Jennifer Campeau, MLA, Saskatchewan Party
- › Herb Cox, MLA, Saskatchewan Party
- › Glen Hart, MLA, Saskatchewan Party
- › Laura Ross, MLA, Saskatchewan Party
- › Cory Tochor, MLA, Saskatchewan Party
- › Trent Wotherspoon, MLA, New Democratic Party

Effective August 31, 2013, Mr. McCall resigned from the Committee. On October 28, 2013, the Assembly adopted a motion to substitute Ms Danielle Chartier for Mr. McCall; the Committee is expected to formally elect a Chair at its next meeting.

## 6.2 Status of Previous Committee Recommendations

The following table provides an update on recommendations agreed to by the Committee that are not yet implemented and are not discussed elsewhere in this report. Our intent is to follow up on outstanding recommendations in the future.

Committee Report Year	Outstanding Recommendation	Status
<b>eHealth – Electronic Health Records (2009 Report – Volume 3)</b>		
2011	10C-1 that the Ministry of Health's strategic plan include its strategy for the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-2 that the Ministry of Health develop an operational plan to guide the development and implementation of the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-3 that the Ministry of Health monitor its overall costs and timelines, compared to its plans, for development and implementation of the electronic health record system.	<b>Partially Implemented</b> (as of September 30, 2012)
2011	10C-4 that the Ministry of Health develop performance measures to allow it to assess and report its progress in achieving the electronic health record benefits.	<b>Partially Implemented</b> (as of September 30, 2012)
<b>eHealth – IT Security (2007 Report – Volume 3)</b>		
2009	11F-6 that the Health Information Solutions Centre of the Ministry of Health have an approved and tested disaster recovery plan for systems and data.	<b>Not Implemented</b> (as of March 31, 2012)



## Appendix 1

### List and Status of Agencies Subject to Examination under *The Provincial Auditor Act*

Appendix 1 lists the ministries, Crown agencies, Crown-controlled corporations, special purpose and trust funds, offices of the Legislative Assembly, and other agencies which administer public money that were subject to audit examination under *The Provincial Auditor Act* at July 31, 2013.

This Appendix includes the status of those audits at October 31, 2013. The Appendix also indicates whether we have significant issues to report and where the issues are reported.

Our goal is to report the results of our audits of agencies with March fiscal year-ends in the fall and agencies with December fiscal year-ends in the spring. At October 31, 2013, we have not completed the audits at a few agencies. To provide the Legislative Assembly and the public with timely reports, we do not delay our reports to accommodate incomplete audits, but rather include their results in future reports.

Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
<b>Government of Saskatchewan – Summary Financial Statements</b>	March 31	Complete	Yes/Apr 2013 Rpt & 2013 Rpt V2
<b>Ministries and Secretariats:</b>			
Ministry of Advanced Education	March 31	Complete	Yes/2013 Rpt V2
Ministry of Agriculture	March 31	Complete	Yes/2013 Rpt V2
Ministry of Central Services	March 31	Complete	Yes/2013 Rpt V2
Ministry of the Economy	March 31		Yes/2013 Rpt V1 & V2
Ministry of Education	March 31	Complete	Yes/ 2013 Rpt V1 & V2
Ministry of Environment	March 31	Complete	Yes/2013 Rpt V1 & V2
Ministry of Finance	March 31	Complete	Yes/2013 Rpt V1 & V2
Ministry of Government Relations	March 31	Complete	Yes/2013 Rpt V2
Ministry of Health	March 31	Complete	Yes/2013 Rpt V2
Ministry of Highways and Infrastructure	March 31	Complete	Yes/2013 Rpt V2
Ministry of Justice	March 31	Complete	Yes/2013 Rpt V1 & V2
Ministry of Labour Relations and Workplace Safety	March 31	Complete	Yes/2013 Rpt V2
Ministry of Parks, Culture and Sport	March 31	Complete	Yes/2013 Rpt V2
Ministry of Social Services	March 31	Complete	Yes/2013 Rpt V1 & V2
Executive Council	March 31	Complete	Yes/2013 Rpt V2
<b>Crown Agencies:</b>			
101039181 Saskatchewan Ltd.	December 31	Note 1	
101069101 Saskatchewan Ltd.	December 31	Note 1	
Agricultural Credit Corporation of Saskatchewan	March 31	Complete	No
Agricultural Implements Board	March 31	Complete	No



Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
Avonlea Holding, Inc.	December 31	Note 1	
Battleford International, Inc.	December 31	Note 1	
Bayhurst Energy Services Corporation	December 31	Complete	No
Bayhurst Gas Limited	December 31	Complete	No
Bruno Holdings Inc.	December 31	Note 1	
Carlton Trail Regional College	June 30	Complete	No
Chinook School Division No. 211	August 31	Complete	Yes/2013 Rpt V1
Christ the Teacher Roman Catholic Separate School Division No. 212	August 31	Complete	No
CIC Asset Management Inc.	December 31	Complete	No
CIC Economic Holdco Ltd.	December 31	Note 1	
CIC Foods Inc.	December 31	Note 1	
CIC FTLP Holdings Inc.	December 31	Note 1	
CIC FTMI Holdings Inc.	December 31	Note 1	
CIC OSB Products Inc.	December 31	Note 1	
CIC Pulp Ltd.	December 31	Note 1	
CIC PVF Holdings Inc.	December 31	Note 1	
CIC WLSVF Holdings Inc.	December 31	Note 1	
Coachman Insurance Company	December 31	Complete	No
Community Initiatives Fund	March 31	Complete	No
Conseil des Ecoles Fransaskoises School Division No. 310	August 31	Complete	No
Creative Saskatchewan	March 31	Note 4	
Creighton School Division No. 111	August 31	Complete	No
Crown Investments Corporation of Saskatchewan	December 31	Complete	Yes/2013 Rpt V2
Cumberland Regional College	June 30	Rotational	No
Cypress Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
DirectWest Canada Inc.	December 31	Note 1	
DirectWest Corporation	December 31	Complete	No
eHealth Saskatchewan	March 31	Delayed	
Englefeld Protestant Separate School Division No. 132	August 31	Complete	Yes/2013 Rpt V1
Enterprise Saskatchewan	March 31	Complete	No
First Nations and Métis Fund Inc.	December 31	Complete	No
Five Hills Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Global Transportation Hub Authority, The	March 31	Complete	No
Good Spirit School Division No. 204	August 31	Complete	No
Government House Foundation, The	March 31	Complete	No
Gradworks Inc.	December 31	Complete	No
Great Plains College	June 30	Rotational	No
HARO Financial Corporation	August 31	Note 1	
Health Quality Council	March 31	Complete	No
Heartland Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Health Shared Services Saskatchewan (3sHealth)	March 31	Complete	Yes/2013 Rpt V2
Holy Family Roman Catholic Separate School Division No. 140	August 31	Complete	No
Holy Trinity Roman Catholic Separate School Division No. 22	August 31	Complete	No
Horizon School Division No. 205	August 31	Complete	Yes/2013 Rpt V1

Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
Ile a la Crosse School Division No. 112	August 31	Complete	Yes/2013 Rpt V1
Insurance Company of Prince Edward Island	December 31	Complete	No
Investment Saskatchewan Holdings Inc.	December 31	Note 1	
Investment Saskatchewan Swine Inc.	December 31	Note 1	
Keewatin Yatthé Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Kelsey Trail Regional Health Authority	March 31	Complete	No
Law Reform Commission of Saskatchewan	March 31	Complete	No
Light of Christ Roman Catholic Separate School Division No. 16	August 31	Complete	Yes/2013 Rpt V1
Liquor and Gaming Authority	March 31	Complete	Yes/2013 Rpt V2
Living Sky School Division No. 202	August 31	Complete	Yes/2013 Rpt V1
Lloydminster Roman Catholic Separate School Division No. 89	August 31	Complete	No
Lloydminster Public School Division No. 99	August 31	Complete	No
Mamawetan Churchill River Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Manalta Investment Company Ltd.	December 31	Note 1	
Many Islands Pipe Lines (Canada) Limited	December 31	Complete	No
Métis Development Fund	December 31	Complete	No
Municipal Financing Corporation of Saskatchewan	December 31	Complete	No
Municipal Potash Tax Sharing Administration Board	December 31	Complete	No
Nokomis Holding, Inc.	December 31	Note 1	
North East School Division No. 200	August 31	Complete	Yes/2013 Rpt V1
North Sask. Laundry & Support Services Ltd.	March 31	Complete	Yes/2013 Rpt V2
North West Regional College	June 30	Complete	Yes/2013 Rpt V2
Northwest School Division No. 203	August 31	Complete	No
Northern Lights School Division No. 113	August 31	Complete	Yes/2013 Rpt V1
Northlands College	June 30	Complete	Yes/2013 Rpt V2
Northpoint Energy Solutions Inc.	December 31	Complete	No
Operator Certification Board	March 31	Complete	No
Owners, The: Condominium Corporation No. 101100609	March 31	Delayed	
Parkland Regional College	June 30	Rotational	No
Physician Recruitment Agency of Saskatchewan	March 31	Complete	No
Power Greenhouses Inc.	December 31	Complete	No
Prairie Agricultural Machinery Institute	March 31	Delayed	
Prairie North Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & V2
Prairie South School Division No. 210	August 31	Complete	No
Prairie Spirit School Division No. 206	August 31	Complete	No
Prairie Valley School Division No. 208	August 31	Complete	No
Prince Albert Parkland Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Prince Albert Roman Catholic Separate School Division No. 6	August 31	Complete	Yes/2013 Rpt V1
Qu'Appelle Holding, Inc.	December 31	Note 1	
Regina Qu'Appelle Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & V2





Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
Regina Roman Catholic Separate School Division No. 81	August 31	Complete	Yes/2013 Rpt V1
Regina School Division No. 4	August 31	Complete	Yes/2013 Rpt V1
Saskatchewan Apprenticeship and Trade Certification Commission	June 30	Complete	No
Saskatchewan Archives Board, The	March 31	Complete	No
Saskatchewan Arts Board, The	March 31	Complete	No
Saskatchewan Association of Health Organizations Inc.	March 31	Delayed	
Saskatchewan Auto Fund	December 31	Complete	No
Saskatchewan Cancer Agency	March 31	Complete	No
Saskatchewan Centre of the Arts	March 31	Complete	No
Saskatchewan Crop Insurance Corporation	March 31	Complete	Yes/2013 Rpt V1 & V2
Saskatchewan Development Fund Corporation	December 31	Complete	Note 5
Saskatchewan First Call Corporation	December 31	Note 1	
Saskatchewan Gaming Corporation	December 31	Complete	No
Saskatchewan Government Growth Fund III Ltd.	December 31	Complete	Note 6
Saskatchewan Government Insurance	December 31	Complete	No
Saskatchewan Grain Car Corporation	July 31	Complete	No
Saskatchewan Health Research Foundation	March 31	Complete	No
Saskatchewan Heritage Foundation	March 31	Complete	No
Saskatchewan Housing Corporation	December 31	Complete	Yes/2013 Rpt V1
Saskatchewan Immigrant Investor Fund Inc.	December 31	Complete	No
Saskatchewan Impaired Driver Treatment Centre Board of Governors	March 31	Delayed	
Saskatchewan Indian Gaming Authority Inc.	March 31	Complete	Yes/2013 Rpt V2
Saskatchewan Institute of Applied Science and Technology	June 30	Complete	Yes/2013 Rpt V2
Saskatchewan Legal Aid Commission	March 31	Complete	No
Saskatchewan Lotteries Trust Fund for Sports, Culture and Recreation	March 31	Complete	No
Saskatchewan Opportunities Corporation	December 31	Complete	No
Saskatchewan Power Corporation	December 31	Complete	No
Saskatchewan Research Council	March 31	Complete	No
Saskatchewan Rivers School Division No. 119	August 31	Complete	Yes/2013 Rpt V1
Saskatchewan Telecommunications	December 31	Complete	No
Saskatchewan Telecommunications Holding Corporation	December 31	Complete	Yes/2013 Rpt V1 & V2
Saskatchewan Telecommunications International, Inc.	December 31	Complete	No
Saskatchewan Telecommunications International (Tanzania) Ltd.	December 31	Note 1	
Saskatchewan Transportation Company	December 31	Complete	No
Saskatchewan Water Corporation	December 31	Complete	Yes/2013 Rpt V1
Saskatoon Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & V2
Saskatoon School Division No. 13	August 31	Complete	Yes/2013 Rpt V1
SaskBuilds Corporation	March 31	Complete	No
SaskEnergy Incorporated	December 31	Complete	Yes/2013 Rpt V1
SaskEnergy International Incorporated	December 31	Note 1	

Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
SaskEnergy Nova Scotia Holdings Ltd.	December 31	Note 1	
SaskPower International Inc.	December 31	Note 1	
SaskTel International Consulting, Inc.	December 31	Note 1	
SaskTel Investments Inc.	December 31	Note 1	
SecurTek Monitoring Solutions Inc.	December 31	Complete	No
SGC Holdings Inc.	December 31	Complete	No
SGI CANADA Insurance Services Ltd.	December 31	Complete	No
Shellbrook Holding, Inc.	December 31	Note 1	
South East Cornerstone School Division No. 209	August 31	Complete	Yes/2013 Rpt V1
Southeast Regional College	June 30	Rotational	
St. Paul's Roman Catholic Separate School Division No. 20	August 31	Complete	Yes/2013 Rpt V1
Sun Country Regional Health Authority	March 31	Complete	Yes/2013 Rpt V2
Sun West School Division No. 207	August 31	Complete	Yes/2013 Rpt V1
Sunrise Regional Health Authority	March 31	Complete	Yes/2013 Rpt V1 & V2
Swan Valley Gas Corporation	December 31	Note 1	
Technical Safety Authority of Saskatchewan, The	June 30	Complete	No
TecMark International Commercialization Inc.	March 31	Complete	No
Tourism Saskatchewan	March 31	Complete	No
TransGas Limited	December 31	Complete	No
University of Regina Crown Foundation	April 30	Complete	Note 7
University of Saskatchewan Crown Foundation	April 30	Complete	Note 7
Water Appeal Board	March 31	Complete	No
Water Security Agency	March 31	Complete	Yes/2013 Rpt V1 & V2
Western Development Museum	March 31	Complete	No
Workers' Compensation Board	December 31	Complete	No
Pension Plan for Employees of the Saskatchewan Workers' Compensation Board	December 31	Complete	No
<b>Special purpose and trust funds:</b>			
Capital Pension Plan	December 31	Complete	No
Commercial Revolving Fund	March 31	Complete	No
Correctional Facilities Industries Revolving Fund	March 31	Complete	No
Criminal Property Forfeiture Fund	March 31	Complete	No
Crop Reinsurance Fund of Saskatchewan	March 31	Complete	No
Doukhobors of Canada C.C.U.B. Trust Fund	May 31	Delayed	
Extended Health Care Plan	December 31	Complete	Yes/2013 Rpt V1
Extended Health Care Plan for Certain Other Employees	December 31	Complete	No
Extended Health Care Plan for Certain Other Retired Employees	December 31	Complete	No
Extended Health Care Plan for Retired Employees	December 31	Complete	No
Financial and Consumer Affairs Authority	March 31	Complete	Yes/2013 Rpt V2
Fish and Wildlife Development Fund	March 31	Complete	No
General Revenue Fund	March 31	Complete	Yes/Apr 2013 Rpt & 2013 Rpt V2
Growth and Financial Security Fund	March 31	Note 3	



Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
Health Shared Services Saskatchewan Core Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – CUPE	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SEIU	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – General	December 31	Complete	No
Health Shared Services Saskatchewan Disability Income Plan – SUN	December 31	Complete	No
Health Shared Services Saskatchewan Group Life Insurance Plan	December 31	Complete	No
Health Shared Services Saskatchewan In-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Health Shared Services Saskatchewan Master Trust Combined Investment Fund	December 31	Complete	No
Health Shared Services Saskatchewan Out-of-scope Extended Health/ Enhanced Dental Plan	December 31	Complete	No
Horned Cattle Fund	March 31	Complete	No
Individual Cattle Feeder Loan Guarantee Provincial Assurance Fund	March 31	Complete	No
Institutional Control Monitoring and Maintenance Fund	March 31	Complete	No
Institutional Control Unforeseen Events Fund	March 31	Complete	No
Judges of the Provincial Court Superannuation Plan	March 31	Complete	No
Liquor Board Superannuation Plan	December 31	Complete	Yes/2013 Rpt V1
Livestock Services Revolving Fund	March 31	Complete	No
Municipal Employees' Pension Plan	December 31	Complete	Yes/2013 Rpt V1
Northern Municipal Trust Account	December 31	Complete	Yes/2013 Rpt V1
Oil and Gas Orphan Fund	March 31	Complete	No
Pastures Revolving Fund	March 31	Complete	No
Power Corporation Superannuation Plan	December 31	Complete	Note 2
Prince of Wales Scholarship Fund	March 31	Complete	No
Provincial Mediation Board Trust Accounts	March 31	Complete	No
Public Employees Benefits Agency Revolving Fund	March 31	Complete	No
Public Employees Deferred Salary Leave Fund	December 31	Complete	No
Public Employees Dental Fund	December 31	Complete	No
Public Employees Disability Income Fund	December 31	Complete	No
Public Employees Group Life Insurance Fund	December 31	Complete	No
Public Employees Pension Plan	March 31	Complete	No
Public Service Superannuation Plan	March 31	Complete	No
Public Guardian and Trustee for Saskatchewan	March 31	Complete	No
Queen's Printer Revolving Fund	March 31	Complete	No
Residential Tenancies, Office of – Director's Trust Account	March 31	Complete	No
Sask 911 Account	March 31	Complete	No
Saskatchewan Agricultural Stabilization Fund	March 31	Complete	No
Saskatchewan Government Insurance Service Recognition Plan	December 31	Complete	No

Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
Saskatchewan Government Insurance Superannuation Plan	December 31	Complete	No
Saskatchewan Legal Aid Commission Area Office's Lawyers' Trust Accounts	March 31	Complete	No
Saskatchewan Pension Annuity Fund	March 31	Complete	No
Saskatchewan Pension Plan	December 31	Complete	No
Saskatchewan Power Corporation Designated Employee Benefit Plan	December 31	Complete	No
Saskatchewan Power Corporation Severance Pay Credits Plan	December 31	Complete	No
Saskatchewan Research Council Employees' Pension Plan	December 31	Complete	No
Saskatchewan Snowmobile Fund	March 31	Complete	No
Saskatchewan Student Aid Fund	March 31	Complete	No
Saskatchewan Telecommunications Pension Plan	December 31	Complete	No
Saskatchewan Water Corporation Retirement Allowance Plan	December 31	Complete	No
SaskEnergy Retiring Allowance Plan	December 31	Complete	No
SaskPower Supplementary Superannuation Plan	December 31	Complete	No
School Division Tax Loss Compensation Fund	March 31	Complete	No
Social Services Central Trust Account	March 31	Complete	No
Social Services Valley View Centre Grants and Donations Trust Account and Institutional Collective Benefit Fund	March 31	Complete	No
Social Services Valley View Centre Residents' Trust Account	March 31	Complete	No
Staff Pension Plan for Employees of the Saskatchewan Legal Aid Commission	December 31	Complete	No
Teachers' Dental Plan	June 30	Complete	Yes/2013 Rpt V2
Teachers' Disability Plan	June 30	Complete	No
Teachers' Group Life Plan	August 31	Complete	No
Teachers' Superannuation Plan	June 30	Complete	No
Technology Supported Learning Revolving Fund	March 31	Complete	Note 8
Training Completions Fund	March 31	Complete	No
Transportation Partnerships Fund	March 31	Complete	No
Victims' Fund	March 31	Complete	No
Water Security Agency Retirement Allowance Plan	March 31	Complete	No
<b>Offices of the Legislative Assembly:</b>			
Advocate for Children and Youth, Office of the	March 31	Complete	No
Board of Internal Economy/Legislative Assembly Service	March 31	Complete	No
Chief Electoral Office	March 31	Complete	No
Conflict of Interest Commissioner, Office of the	March 31	Complete	No
Information and Privacy Commissioner, Office of the	March 31	Complete	No
Ombudsman, Office of the	March 31	Complete	No



Agency	Fiscal Year End	Status at October 31, 2013	Significant Issues Reported
<b>Other agencies subject to examination under <i>The Provincial Auditor Act</i>:</b>			
Pension Plan for the Eligible Employees at the University of Saskatchewan, 1974	December 31	Complete	No
Pension Plan for the Academic and Administrative Employees of the University of Regina	December 31	Complete	No
University of Regina Non-Academic Pension Plan	December 31	Complete	No
University of Regina, The	April 30	Complete	Yes/2013 Rpt V1 & V2
University of Saskatchewan 1999 Academic Pension Plan	December 31	Complete	No
University of Saskatchewan 2000 Academic Money Purchase Pension Plan	December 31	Complete	No
University of Saskatchewan Academic Long-term Disability Plan	December 31	Complete	No
University of Saskatchewan Academic Employees' Pension Plan	December 31	Complete	No
University of Saskatchewan and Federated Colleges Non-Academic Pension Plan	December 31	Complete	No
University of Saskatchewan, The	April 30	Complete	No

- Note 1: These entities are wholly- or partially-owned subsidiary corporations that are included in the consolidated financial statements of a parent Crown agency.
- Note 2: The agency does not have adequate processes to ensure retired members who returned to work for the Government are paid in accordance with *The Superannuation (Supplementary Provisions) Act*. Our 2001 *Spring Report* contains further information on this matter.
- Note 3: The Ministry of Finance does not prepare financial statements for this Fund.
- Note 4: This entity was recently created; March 31, 2014 will be the first period-end audited by our Office.
- Note 5: This entity was wound up on September 30, 2013.
- Note 6: This entity was wound up on March 20, 2013.
- Note 7: These entities were wound up on July 13, 2013.
- Note 8: This entity was wound up on January 1, 2013.

- "Complete" – the audit was complete at October 31, 2013.

"Delayed" – the audit was delayed.

"Rotational" – for a few sectors (i.e., regional colleges), we carry out the audits of the most significant entities and use a rotational approach for the remainder. We list entities in rotation whose audits were complete at October 31, 2013 as "Complete". We list the other entities as "Rotational".
- "No" - no significant issues were reported.

"Yes/Apr 2013 Rpt" – significant issues are reported in our *April 2013 Report–The Need to Change–Modernizing Government Budgeting and Financial Reporting in Saskatchewan*.

"Yes/2013 Rpt V1" – significant issues are reported in our *2013 Report – Volume 1*.

"Yes/2013 Rpt V2" – significant issues are reported in our *2013 Report – Volume 2*.

## Appendix 2

# Samples of Opinions We Form on Ministries, Crown Agencies, and Crown-Controlled Corporations

Our mission states: "To serve the Members of the Legislative Assembly and the people of Saskatchewan, we provide independent assurance and advice on the management, governance, and effective use of public resources." To fulfill our mission, we examine and provide independent assurance (conclusions) and advice on:

- › The effectiveness of the Government's management of public resources
- › The Government's compliance with legislative authorities
- › The reliability of the Government's public performance reports

We focus on the Government as a whole, sectors or programs of the Government, and individual government agencies. We use the auditing standards recommended by the Canadian Auditing and Assurance Standards Board to form our opinions. The following are samples of our audit opinions.

## 1. The Adequacy of the Government's Management of Public Resources

I have audited [Crown agency X]'s control as of [date] to express an opinion as to the effectiveness of its control related to the following objectives.

- › To safeguard public resources. That is, to ensure its assets are not lost or used inappropriately; to ensure it does not inappropriately incur obligations; to establish a financial plan for the purposes of achieving its financial goals; and to monitor and react to its progress towards the objectives established in its financial plan.
- › To prepare reliable financial statements.
- › To conduct its activities following laws, regulations and policies related to financial reporting, safeguarding public resources, revenue raising, spending, borrowing, and investing.

I used the control framework developed by the Canadian Institute of Chartered Accountants (CICA) to make my judgments about the effectiveness of [Crown agency X]'s control. I did not audit certain aspects of control concerning the effectiveness, economy, and efficiency of certain management decision-making processes.

The CICA defines control as comprising those elements of an organization that, taken together, support people in the achievement of the organization's objectives. Control is effective to the extent that it provides reasonable assurance that the organization will achieve its objectives.

[Crown agency X]'s management is responsible for effective control related to the objectives described above. My responsibility is to express an opinion on the effectiveness of control based on my audit.

I conducted my audit in accordance with standards for assurance engagements published in the *CPA Canada Handbook - Assurance*. Those standards require that I plan and perform an audit to obtain reasonable assurance as to effectiveness of [Crown agency X]'s control related to the objectives stated above. An audit includes obtaining an understanding of the significant risks related to these objectives, the key control elements and control activities to manage these risks and examining, on a test basis, evidence relating to control.

Control can provide only reasonable and not absolute assurance of achieving objectives reliably for the following reasons. There are inherent limitations in control including judgment in decision-making, human error, collusion to circumvent control activities and management overriding control. Cost/benefit decisions are made when designing control in organizations. Because control can be expected to provide only reasonable assurance and not absolute assurance, the objectives referred to above may not be achieved reliably. Also, projections of any evaluation of control to future periods are subject to the risk that control may become ineffective because of changes in internal and external conditions, or that the degree of compliance with control activities may deteriorate.

In my opinion, based on the limitations noted above, [Crown agency X]'s control was effective, in all material respects, to meet the objectives stated above as of [date] based on the CICA criteria of control framework.



## 2. The Government's Compliance with Legislative Authorities

I have made an examination to determine whether [Crown agency X], complied with the provisions of the following legislative and related authorities pertaining to its financial reporting, safeguarding public resources, spending, revenue raising, borrowing and investing activities during the year ended [Year end]:

*(List legislative and related authorities covered by this report. This list must include all governing authorities.)*

My examination was made in accordance with standards for assurance engagements published in the *CPA Canada Handbook - Assurance*, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, [Crown agency X] has complied, in all significant respects, with the provisions of the aforementioned legislative and related authorities during the year ended [Year end].

## 3. The Reliability of Financial Statements

I have audited the accompanying financial statements of [Crown agency X], which comprise the [statement of financial position] as at [Year end], and the [statements of operations, change in net debt, and cash flow] for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with [acceptable financial reporting framework] for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements present fairly, in all material respects, the financial position of [Crown agency X] as at [Year end], and [insert appropriate wording to describe financial results] for the year then ended in accordance with [acceptable financial reporting framework].